

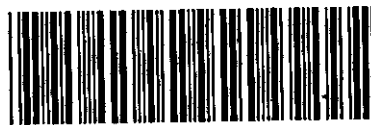
**Company Registration No. SC 166753**

**Norson Group Limited**

**Report and consolidated financial statements**

**31 March 2007**

**TUESDAY**



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# **Norson Group Limited**

## **Report and financial statements 2007**

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# **Norson Group Limited**

## **Report and financial statements 2007**

### **Officers and professional advisers**

#### **Directors**

G Telfer  
A McLean  
G Mullins  
A Tully

#### **Secretary**

Paull & Williamsons

#### **Registered Office**

Union Plaza (6<sup>th</sup> Floor)  
1 Union Wynd  
Aberdeen  
AB10 1DQ

#### **Bankers**

Clydesdale Bank PLC  
Financial Solutions Centre  
56 Carden Place  
Aberdeen  
AB10 1UP

#### **Solicitors**

Paull & Williamsons  
Union Plaza (6<sup>th</sup> Floor)  
1 Union Wynd  
Aberdeen  
AB10 1DQ

#### **Independent Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
Aberdeen

# Norson Group Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2007

### Business review and principal activities

The principal activities of the group are (re discontinued operations) cleaning, flushing, hydraulic, pressure and electrical testing of rigid and flexible pipework systems and fibre optic systems, reclamation of hydraulic oils, seal and lubrication oils, (re continuing operations) design, build, installation, commissioning, servicing and repair and hire of hydraulic systems and equipment, stocking and distribution of hydraulic components and hose & fittings for the Oil, Gas, Marine, Energy, Industrial, and Petrochemical Industries both onshore and offshore

On 1 October 2006 the trade and trading assets and liabilities of the hydraulics division of Norson Services Limited, one of the group's subsidiaries were transferred to Norson Power Limited, another subsidiary of Norson Group Limited incorporated on 5 May 2006. The trading assets and liabilities were transferred at their net book values. On 1 March 2007 the company disposed of its subsidiary Norson Services Limited for a consideration of £13,540,640 realising a profit on disposal of £9,664,070, after disposal costs. The final amount to be received could vary depending on the outcome of circumstances contained in the legal agreement, but a current assessment shows that variances are expected to be limited to within +/- 1% of the cash consideration. From the proceeds of the sale the company made several substantial payments in order to improve the company's financial covenants, including a contribution to the company's final salary pension scheme that eliminated the FRS 17 deficit based on its valuation at 31 March 2006, redemption of preference shares, and repayment of loan and bank debt.

On 1 March 2007 the company also disposed of the trade and trading assets within its subsidiary Norson Services LLC for a consideration of £854,360 realising a loss on disposal of £58,556.

As shown in the group's consolidated profit and loss account on page 6, the group's turnover has increased by £1,992,282 compared to the prior year. Turnover from continuing operations increased by £1,518,355 (29%), and turnover from 11 months of discontinued operations increased by £473,927 (4%, which would represent a 20% increase on a 12 month pro rata basis). These significant increases reflect the buoyant market conditions for both continuing and discontinued business streams, and the separation during the year into two separate companies helped each distinct business stream to focus on their market opportunities. The gross margin has decreased marginally from 26% to 25% during the current year.

The consolidated balance sheet on page 8 shows that the group has net assets of £8,963,663 compared to net liabilities of £438,081 in the prior year.

On 11 May 2007 the entire share capital of Norson Group Limited was acquired by Norson Holdings Limited, which is now the company's immediate and ultimate parent company.

### Results and dividends

The results for the year are shown in the consolidated profit and loss account on page 6.

The directors paid dividends during the year in relation to the preference shares of £130,007 (2006: £135,000). Dividends of £nil (2006: £292,114) were accrued during the year to 31 March 2007 in relation to 'A' ordinary shares and ordinary shares. A special dividend of £533,333 (2006: £nil) was paid during the year in relation to the 'A' ordinary shares.

### Future prospects

Prospects for future growth and expansion for the continuing operations continue to be excellent. Demand in the United Kingdom for the group's services and products remains buoyant and strong growth is expected to continue.

### Principal risks and uncertainties

The group operates in a competitive market which is a continuing risk to the group. The group manages this risk by providing a high quality service and maintaining strong relationships with its customers.

# Norson Group Limited

## Directors' report (continued)

### Environment

The group is conscious of its environmental responsibilities and endeavours to minimise any impact on the environment through safe disposal of waste, recycling and reducing energy consumption

### Financial risk management objective and policies

The group's activities expose it to a number of financial risks including credit risk, foreign exchange risk and liquidity risk

#### *Credit risk*

The group's principal financial assets are bank balances and cash and trade debtors. The group's credit risk is primarily attributed to trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debtors. The credit risk of liquid funds is limited because counterparties are banks with high credit ratings assigned by international credit rating agencies. The group has no significant concentration of credit risk, with exposures spread over a large number of counterparties and customers.

#### *Foreign exchange risk*

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The group manages its risk through monitoring of net exposures.

#### *Liquidity risk*

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group uses a mixture of long term and short term finance.

### Directors

The present membership of the Board is set out on page 1. On 1 March 2007 L J Graves and S Fudge resigned as directors. On 14 May 2007 R M McColl and W M Bell resigned as directors.

### Auditors

Each of the persons who is a director at the date of approval of this report confirms that

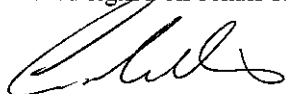
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the board of Directors

And signed on behalf of the Board



G Mullins

Director

28 November 2008

# **Norson Group Limited**

## **Statement of directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## **Independent auditors' report to the members of Norson Group Limited**

We have audited the group and parent company financial statements (the "financial statements") of Norson Group Limited for the year ended 31 March 2007 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement, the notes to the consolidated cash flow statement and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and company'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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
Aberdeen, United Kingdom  
28 November 2008

# Norson Group Limited

## Consolidated profit and loss account Year ended 31 March 2007

	Note	2007 £	2006 £
<b>Turnover</b>			
Continuing operations	2,3	6,769,765	5,251,410
Discontinued operations	2,3	11,147,001	10,673,074
		<u>17,916,766</u>	<u>15,924,484</u>
Cost of sales	3	(13,417,557)	(11,717,831)
<b>Gross profit</b>	3	4,499,209	4,206,653
Distribution costs	3	(1,009,593)	(902,045)
Administrative expenses	3	(2,246,728)	(1,709,963)
		<u></u>	<u></u>
<b>Operating profit</b>			
Continuing operations		191,021	14,492
Discontinued operations		1,051,867	1,580,153
		<u>1,242,888</u>	<u>1,594,645</u>
<b>Total operating profit</b>	3,5	1,242,888	1,594,645
Profit on sale of discontinued operations	6	9,605,514	36,906
		<u>10,848,402</u>	<u>1,631,551</u>
<b>Profit on ordinary activities before finance charges</b>		10,848,402	1,631,551
Interest payable and similar charges	7	(809,206)	(549,675)
Interest receivable and similar income	8	34,397	2,446
		<u>10,073,593</u>	<u>1,084,322</u>
<b>Profit on ordinary activities before taxation</b>		10,073,593	1,084,322
Tax on profit on ordinary activities	9	(470,542)	(420,160)
		<u>9,603,051</u>	<u>664,162</u>
<b>Profit for the financial year</b>	22	9,603,051	664,162

The accompanying notes are an integral part of this profit and loss account



## Norson Group Limited

### Consolidated statement of total recognised gains and losses Year ended 31 March 2007

	Note	2007 £	2006 £
Profit for the financial year		9,603,051	664,162
Exchange differences on translation of foreign subsidiaries		(13,130)	(1,708)
Actuarial loss relating to the pension scheme	25	(268,824)	(35,358)
Attributable deferred taxation		80,647	(12,588)
Total recognised gains and losses relating to the year		<u>9,401,744</u>	<u>614,508</u>

The accompanying notes are an integral part of this statement of total recognised gains and losses

# Norson Group Limited

## Consolidated balance sheet 31 March 2007

	Note	2007 £	2006 £
<b>Fixed assets</b>			
Intangible assets	11		1,208,857
Tangible assets	12	361,473	2,248,381
		<u>361,473</u>	<u>3,457,238</u>
<b>Current assets</b>			
Stocks	15	739,808	1,105,935
Debtors	16	1,858,820	4,461,924
Cash at bank and in hand		9,673,289	39,888
		<u>12,271,917</u>	<u>5,607,747</u>
<b>Creditors: amounts falling due within one year</b>	17	(2,430,356)	(5,074,470)
<b>Net current assets</b>		<u>9,841,561</u>	<u>533,277</u>
<b>Total assets less current liabilities</b>		10,203,034	3,990,515
<b>Creditors: amounts falling due after more than one year</b>	18	(1,086,211)	(3,415,707)
<b>Provisions for liabilities</b>	21		(162,063)
<b>Net assets excluding pension liability</b>		<u>9,116,823</u>	<u>412,745</u>
<b>Pension liability</b>	25	(153,160)	(850,826)
<b>Net assets/(liabilities) including pension liability</b>		<u>8,963,663</u>	<u>(438,081)</u>
<b>Capital and reserves</b>			
Capital redemption reserve	22	1,365,152	50,000
Exchange reserve	22	(19,964)	(6,834)
Profit and loss account	22	7,618,475	(481,247)
<b>Shareholders' funds/(deficit)</b>	23	<u>8,963,663</u>	<u>(438,081)</u>

These financial statements were approved by the Board of Directors on 28 November 2008

Signed on behalf of the Board of Directors



G Mullins  
Director

# Norson Group Limited

## Company balance sheet 31 March 2007

	Note	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	12	124,279	139,573
Investments	13	34,153	2,633,098
		<u>158,432</u>	<u>2,772,671</u>
<b>Current assets</b>			
Debtors	16	318,526	757,739
Cash at bank and in hand		9,379,547	764
		<u>9,698,073</u>	<u>758,503</u>
<b>Creditors</b> amounts falling due within one year	17	<u>(762,408)</u>	<u>(926,657)</u>
<b>Net current assets/(liabilities)</b>		<u>8,935,665</u>	<u>(168,154)</u>
<b>Total assets less current liabilities</b>		<u>9,094,097</u>	<u>2,604,517</u>
<b>Creditors</b> amounts falling due after more than one year	18	(1,034,813)	(2,783,183)
<b>Provisions for liabilities</b>	21	<u>                    </u>	<u>(73,614)</u>
<b>Net assets/(liabilities)</b>		<u>8,059,284</u>	<u>(252,280)</u>
<b>Capital and reserves</b>			
Capital redemption reserve	22	1,365,152	50,000
Profit and loss account	22	6,694,132	(302,280)
<b>Shareholders' funds/(deficit)</b>		<u>8,059,284</u>	<u>(252,280)</u>

These financial statements were approved by the Board of Directors on 28 November 2008

Signed on behalf of the Board of Directors



G Mullins  
Director

## Norson Group Limited

### Consolidated cash flow statement Year ended 31 March 2007

	Note	2007 £	2006 £
<b>Net cash inflow from operating activities</b>	1	275,062	1,485,971
Returns on investments and servicing of finance	11	(762,347)	(588,857)
Taxation		(93,282)	(599,052)
Capital expenditure	11	(161,709)	(484,076)
Acquisitions and disposals – discontinued operations	11	13,330,105	36,906
Cash inflow/(outflow) before financing		12,587,829	(149,108)
Financing	11	(2,481,906)	(301,371)
<b>Increase/(decrease) in cash in the year</b>	111	<u>10,105,923</u>	<u>(450,479)</u>

The discontinued operations disposed of during the year contributed an inflow of £1,394,549 to the group's net operating cash flows, paid £51,407 in respect of returns on investment and servicing of finance, paid £93,282 in respect of taxation, utilised £113,771 for capital expenditure and utilised £537,125 for financing

# Norson Group Limited

## Notes to the consolidated cash flow statement Year ended 31 March 2007

### (i) Reconciliation of operating profit to net cash inflow from operating activities

	2007 £	2006 £
Operating profit	1,242,888	1,594,645
Depreciation charge	448,120	283,145
Amortisation charge of goodwill and patents	125,095	138,422
Exchange loss/(gain)	30,109	(13,019)
Decrease/(increase) in stock	147,952	(722,795)
Increase in debtors	(360,319)	(316,482)
(Decrease)/increase in creditors	(150,437)	861,307
Loss on disposal of tangible fixed assets	24,620	20,748
Movement in pension liability	(1,232,966)	(360,000)
<b>Net cash inflow from operating activities</b>	<b>275,062</b>	<b>1,485,971</b>

### (ii) Analysis of cash flows

	2007 £	2006 £
<b>Returns on investments and servicing of finance</b>		
Interest paid	(132,048)	(80,932)
Non equity dividends paid	(632,172)	(510,371)
Interest received	1,873	2,446
<b>Net cash outflow</b>	<b>(762,347)</b>	<b>(588,857)</b>

	2007 £	2006 £
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(526,328)	(502,212)
Receipts from sale of tangible fixed assets	364,619	18,136
<b>Net cash outflow</b>	<b>(161,709)</b>	<b>(484,076)</b>

	2007 £	2006 £
<b>Acquisitions and disposals</b>		
Sale of subsidiary undertaking	13,540,640	36,906
Net cash balances disposed of with subsidiary undertaking	408,607	
Disposal costs	(619,142)	
<b>Net cash inflow</b>	<b>13,330,105</b>	<b>36,906</b>

# Norson Group Limited

## Notes to the consolidated cash flow statement (continued) Year ended 31 March 2007

### (ii) Analysis of cash flows (continued)

	2007 £	2006 £
<b>Financing</b>		
New borrowings		140,000
Loan repayments	(599,185)	(149,010)
Capital element of finance lease rental payments	(431,886)	(292,361)
Redemption of preference shares	(1,450,835)	
Net cash outflow	<u>(2,481,906)</u>	<u>(301,371)</u>

### (iii) Analysis of changes in net (debt)/funds

	At 31 March 2006 £	Cash flow £	Other non cash changes £	Disposals £	At 31 March 2007 £
Cash at bank and in hand	39,888	9,633,401			9,673,289
Bank overdrafts	(513,574)	472,522			(41,052)
	<u>(473,686)</u>	<u>10,105,923</u>			<u>9,632,237</u>
Debt due within one year	(158,000)	599,185	(441,185)		
Debt due after more than one year	(441,185)		441,185		
Finance leases and hire purchase contracts	(966,059)	431,886	(132,213)	522,881	(143,505)
	<u>(1,565,244)</u>	<u>1,031,071</u>	<u>(132,213)</u>	<u>522,881</u>	<u>(143,505)</u>
<b>Total</b>	<u>(2,038,930)</u>	<u>11,136,994</u>	<u>(132,213)</u>	<u>522,881</u>	<u>9,488,732</u>

Cash at bank and in hand includes an amount of £2,739,000 received relating to the disposal of the group's subsidiary and is held in an escrow account with the group's lawyers. This cash currently cannot be accessed by the group without joint instruction of both the group and the purchaser.

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

	2007 £	2006 £
Increase/(decrease) in cash in the year	10,105,923	(450,479)
Cash outflow from decrease in debt and lease financing	1,031,071	301,371
Movement in net debt resulting from cash flows	<u>11,136,994</u>	<u>(149,108)</u>
New hire purchase and finance leases	(132,213)	(673,940)
Hire purchase and finance leases disposed with subsidiary	522,881	
Movement in net debt in the year	<u>11,527,662</u>	<u>(823,048)</u>
Opening net debt	<u>(2,038,930)</u>	<u>(1,215,882)</u>
Closing net funds/(debt)	<u>9,488,732</u>	<u>(2,038,930)</u>

## **Norson Group Limited**

### **Notes to the consolidated cash flow statement (continued)** **Year ended 31 March 2007**

**(v) Major non cashflow transactions**

During the year, the group acquired £132,213 (2006 £673,940) of tangible fixed assets under hire purchase and finance lease arrangements and disposed of £522,881 (2006 £nil) of hire purchase and finance leases with its disposal of Norson Services Limited

# Norson Group Limited

## Notes to the financial statements Year ended 31 March 2007

### 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### Basis of accounting

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

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

#### Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess on the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

#### Investments

Fixed asset investments are shown at cost less provision for impairment.

#### Patents

Patents are recorded at cost, less amortisation, to write off the cost on a straight line basis over the period of the patent which varies from 2 to 17 years.

#### Tangible fixed assets

Tangible fixed assets are shown at cost, net of depreciation and any provision for impairment.

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:

Leasehold improvements	20% per annum straight line
Plant and machinery depending on type	15% per annum reducing balance or 25-50% per annum straight line

#### Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at their 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 or contract in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred. Further information on future commitments is given in note 24.



# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 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

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

# **Norson Group Limited**

## **Notes to the financial statements (continued)** **Year ended 31 March 2007**

### **1. Accounting policies (continued)**

#### **Foreign currency**

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end. Any gain or loss arising is included as an exchange gain or loss in the profit and loss account.

The transactions of overseas companies are translated into Pounds Sterling at the average rate of exchange during the period. All assets and liabilities are translated at the rate of exchange at the balance sheet date. Exchange differences are reported in the statement of total recognised gains and losses.

#### **Taxation**

Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### **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 and class of business has been omitted as the directors believe that such disclosure would be prejudicial to the interests of the group.

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 3. Analysis of continuing and discontinued operations

	Continuing 2007 £	Dis continued 2007 £	Total 2007 £	Continuing 2006 £	Dis continued 2006 £	Total 2006 £
Turnover	6,769,765	11,147,001	17,916,766	5,251,410	10,673,074	15,924,484
Cost of sales	(5,317,714)	(8,099,843)	(13,417,557)	(4,343,186)	(7,374,645)	(11,717,831)
Gross profit	<u>1,452,051</u>	<u>3,047,158</u>	<u>4,499,209</u>	<u>908,224</u>	<u>3,298,429</u>	<u>4,206,653</u>
Distribution costs	(535,035)	(474,558)	(1,009,593)	(335,319)	(566,726)	(902,045)
Admin expenses	(725,995)	(1,520,733)	(2,246,728)	(558,413)	(1,151,550)	(1,709,963)
	<u>(1,261,030)</u>	<u>(1,995,291)</u>	<u>(3,256,321)</u>	<u>(893,732)</u>	<u>(1,718,276)</u>	<u>(2,612,008)</u>
Operating profit	<u>191,021</u>	<u>1,051,867</u>	<u>1,242,888</u>	<u>14,492</u>	<u>1,580,153</u>	<u>1,594,645</u>

Discontinued operations relates to the operations of Norson Services Limited and Norson Services LLC which were disposed of by the group on 1 March 2007

### 4 Directors and employees

Group	2007 £	2006 £
Staff costs including directors' emoluments		
Wages and salaries	5,665,418	5,302,580
Social security costs	635,816	599,507
Pension costs	102,144	98,532
	<u>6,403,378</u>	<u>6,000,619</u>
	2007 No	2006 No.
Average number of persons employed		
Production	131	122
Sales and distribution	15	13
Administration	14	14
	<u>160</u>	<u>149</u>

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 4. Directors and employees (continued)

	2007 £	2006 £
<b>Directors' emoluments</b>		
Emoluments	987,081	728,388
Pension contributions	17,690	16,166
Total	<u>1,004,771</u>	<u>744,554</u>

Directors' emoluments includes amounts paid by subsidiary companies

During the year, one (2006 nil) director exercised company share options

	2007 £	2006 £
<b>Highest paid director</b>		
Emoluments	512,751	247,454
Pension contributions	4,688	4,401
Total	<u>517,439</u>	<u>251,855</u>

Company	2007 £	2006 £
<b>Staff costs including directors' emoluments</b>		
Wages and salaries	925,305	744,795
Social security costs	118,071	95,410
Pension costs	19,618	16,850
	<u>1,062,994</u>	<u>857,055</u>

	2007 No	2006 No
<b>Average number of persons employed</b>		
Administration	<u>10</u>	<u>11</u>
	<u>10</u>	<u>11</u>

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 5. Operating profit

	2007 £	2006 £
<b>Operating profit is stated after charging/(crediting):</b>		
Auditors' remuneration – audit services	25,000	17,500
Auditors' remuneration – taxation services	30,550	4,750
Operating leases		
Hire of plant and machinery	81,193	67,604
Hire of other assets	150,690	118,118
Amortisation of goodwill	98,538	107,498
Amortisation of patents	26,557	30,924
Loss on disposal of tangible fixed assets	24,620	20,748
Exchange loss/(gain)	30,109	(13,019)
Depreciation of tangible fixed assets		
Owned assets	211,285	121,093
Held under finance leases and hire purchase contracts	236,835	162,052

### 6. Profit on sale of discontinued operations

	2007 £	2006 £
Profit on sale of subsidiary undertaking (note 14)	9,664,070	
Loss on sale of trade and trading assets	(58,556)	
Exceptional gain – gain on sale of business		36,906
	<u>9,605,514</u>	<u>36,906</u>

The exceptional gain – gain on sale of business in 2006 represents a revision to the original income received from an earn out clause relating to the sale of certain assets of Norson Engineering Limited

The profit on sale of discontinued operations in 2007 relates to the disposal of the group's interest in the ordinary share capital of Norson Services Limited for a profit of £9,664,070, after disposal costs

The loss on sale of trade and trading assets in 2007 of £58,556 relates to the disposal of the trade, certain trading assets and trading liabilities of Norson Services LLC

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 7. Interest payable and similar charges

	2007 £	2006 £
Bank overdraft interest	89,985	36,633
Hire purchase and finance lease interest	42,063	44,299
Net pension scheme finance cost (note 25)		37,300
Finance cost of non equity shares	663,340	427,114
Non equity shares appropriation	4,234	4,329
Premium on redemption of preference shares	9,584	
	<u>809,206</u>	<u>549,675</u>

### 8. Interest receivable and similar income

	2007 £	2006 £
Bank interest	1,873	2,355
Other		91
Net pension scheme finance credit (note 25)	32,524	
	<u>34,397</u>	<u>2,446</u>

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 9. Tax on profit on ordinary activities

	2007 £	2006 £
<b>Current tax</b>		
UK corporation tax charge for the year	86,244	335,944
Adjustments in respect of prior years	(27,524)	(85,189)
	<u>58,720</u>	<u>250,755</u>
<i>Foreign tax</i>		
Foreign tax charge	32,174	77,878
Double taxation relief		(77,878)
	<u>32,174</u>	<u>(0)</u>
<b>Total current tax</b>	<u>90,894</u>	<u>250,755</u>
<b>Deferred tax</b>		
Timing differences	379,648	169,405
	<u>379,648</u>	<u>169,405</u>
<b>Total deferred tax</b>	<u>379,648</u>	<u>169,405</u>
<b>Total tax on profit on ordinary activities</b>	<u>470,542</u>	<u>420,160</u>

No tax charge was incurred in respect of the exceptional profit on sale of subsidiary undertaking detailed in note 6

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax charge for the current and preceding year differs for the reasons set out in the following reconciliation

	2007 £	2006 £
Profit on ordinary activities before tax	<u>10,073,593</u>	<u>1,084,322</u>
Tax on group profit on ordinary activities at standard UK corporation tax rate of 30% (2006 30%)	3,022,078	325,296
<i>Effects of</i>		
Difference in tax rate		9,133
Income not taxable	(3,660,799)	(11,072)
Expenditure not allowable for tax purposes	805,836	218,290
Capital allowances in excess of depreciation	(21,278)	(54,052)
Short term timing differences	190,790	
Utilisation of losses	(259,362)	(151,651)
Distributions	41,153	
Adjustment in respect of prior years	(27,524)	(85,189)
	<u>90,894</u>	<u>250,755</u>
<b>Group current tax charge</b>	<u>90,894</u>	<u>250,755</u>

### 10 Profit attributable to the company

The profit for the financial year dealt with in the financial statements of the parent company was £8,311,564 (2006 £8,615). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 11. Intangible fixed assets

Group	Patents £	Goodwill £	Total £
<b>Cost</b>			
At 1 April 2006	139,099	2,149,958	2,289,057
Disposals	(139,099)	(2,149,958)	(2,289,057)
At 31 March 2007			
<b>Amortisation</b>			
At 1 April 2006	72,156	1,008,044	1,080,200
Charge for the year	26,557	98,538	125,095
Disposals	(98,713)	(1,106,582)	(1,205,295)
At 31 March 2007			
<b>Net book value</b>			
At 31 March 2007			
At 31 March 2006	66,943	1,141,914	1,208,857

### 12. Tangible fixed assets

Group	Leasehold improvements £	Plant and machinery £	Total £
<b>Cost</b>			
At 1 April 2006	108,051	3,871,309	3,979,360
Additions	2,338	656,203	658,541
Disposals	(13,544)	(3,575,897)	(3,589,441)
Foreign exchange difference	(541)	(54,575)	(55,116)
At 31 March 2007	96,304	897,040	993,344
<b>Depreciation</b>			
At 1 April 2006	43,858	1,687,121	1,730,979
Charge for the year	16,445	431,675	448,120
Disposals	(8,707)	(1,526,644)	(1,535,351)
Foreign exchange difference	(99)	(11,778)	(11,877)
At 31 March 2007	51,497	580,374	631,871
<b>Net book value</b>			
At 31 March 2007	44,807	316,666	361,473
At 31 March 2006	64,193	2,184,188	2,248,381

The net book value of fixed assets includes £174,121 (2006 £1,423,087) in respect of assets held under finance leases and hire purchase contracts



## Norson Group Limited

### Notes to the financial statements (continued) Year ended 31 March 2007

#### 12. Tangible fixed assets (continued)

Company	Plant and machinery £
<b>Cost</b>	
At 1 April 2006	343,350
Additions	34,080
Disposals	(126,051)
At 31 March 2007	<u>251,379</u>
<b>Depreciation</b>	
At 1 April 2006	203,777
Charge for the year	48,628
Disposals	(125,305)
At 31 March 2007	<u>127,100</u>
<b>Net book value</b>	
At 31 March 2007	<u>124,279</u>
At 31 March 2006	<u>139,573</u>

The net book value of fixed assets includes £53,843 (2006 £83,540) in respect of assets held under finance leases and hire purchase contracts

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 13. Investments

Company	Subsidiary undertakings £
<b>Cost and net book value</b>	
At 1 April 2006	2,633,098
Additions	34,150
Disposals (see note 14)	(2,633,095)
At 31 March 2007	<u>34,153</u>

The company holds 100% of the share capital in the following companies

Name	Trade	Country of incorporation
Norson Power Limited	Design, build, installation, commissioning, servicing and repair and hire of hydraulic systems and equipment, stocking and distribution of hydraulic components and hose and fittings for the Oil, Gas, Marine, Energy, Industrial and Petrochemical Industries both onshore and offshore	Scotland
Norson Services LLC	Non trading	USA
Norson Engineering Limited	Non trading	Scotland
<i>Norson Hydraulic Services Limited</i>	<i>Non trading</i>	<i>Scotland</i>

The results of the above companies have been included in the consolidated financial statements

During the year, and prior to its disposal on 1 March 2007, Norson Services Limited transferred its ownership of Norson Services LLC to Norson Group Limited

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 14. Sale of subsidiary undertaking

On 1 March 2007 the group sold its 100 per cent interest in the ordinary share capital of Norson Services Limited. The loss for the period of Norson Services Limited up to the date of disposal was £50,349 and the profit for its last financial year was £1,066,197.

Net assets disposed of and the related sale proceeds were as follows

	£
Fixed assets	1,664,851
Intangible assets	40,386
Current assets	3,124,152
Creditors	(2,428,321)
Provisions for liabilities	(187,016)
<b>Net assets</b>	<b>2,214,052</b>
Related goodwill	1,043,376
Disposal costs	619,142
Profit on sale	9,664,070
<b>Sale proceeds</b>	<b>13,540,640</b>
Satisfied by	
Cash	13,540,640
<b>Net cash inflows in respect of the sale comprised:</b>	
Cash consideration	13,540,640
Cash at bank and in hand disposed	(1,110)
Bank overdrafts disposed	409,717
Disposal costs	(619,142)
	<b>13,330,105</b>

The final amount to be received could vary depending on the outcome of circumstances contained in the legal agreement, but a current assessment shows that variances are expected to be limited to within +/- 1% of the cash consideration.

### 15. Stocks

Group	2007 £	2006 £
Work in progress	246,756	695,392
Finished goods and goods for resale	493,052	410,543
	<b>739,808</b>	<b>1,105,935</b>

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 16. Debtors

	2007		2006	
	Group £	Company £	Group £	Company £
Trade debtors	1,622,781		3,895,444	
Amounts recoverable on contracts	15,000		301,153	
Amounts owed by group undertakings		87,143		493,754
Other debtors	124,747	73,998	187,195	21,186
Prepayments and accrued income	69,292	5,132	78,132	242,799
Unpaid share capital	27,000	27,000		
Deferred tax asset (note 21)		125,253		
	<u>1,858,820</u>	<u>318,526</u>	<u>4,461,924</u>	<u>757,739</u>

All amounts are due within one year

### 17. Creditors: amounts falling due within one year

	2007		2006	
	Group £	Company £	Group £	Company £
Bank overdraft	41,052	41,052	513,574	93,220
Bank loans (note 19)			158,000	130,000
Trade creditors	1,117,644		2,405,134	
Amounts owed to group undertakings		161,336		
Corporation tax	86,245		162,106	
Other taxation and social security	361,757		212,662	
Accruals and deferred income	439,437	227,852	898,681	370,885
Obligations under finance leases and hire purchase contracts (note 19)	92,107	40,054	432,199	40,438
Proposed dividends on non equity shares	292,114	292,114	292,114	292,114
	<u>2,430,356</u>	<u>762,408</u>	<u>5,074,470</u>	<u>926,657</u>

The bank overdraft is secured by a floating charge over the assets of the group and bears interest at 1.25% above the Clydesdale Bank base rate

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 18. Creditors. amounts falling due after more than one year

	2007		2006	
	Group £	Company £	Group £	Company £
Obligations under finance leases and hire purchase contracts (note 19)	51,398		533,860	37,813
Bank loan			304,708	304,708
Term loan			136,477	
Non equity shares (note 20)	1,034,813	1,034,813	2,440,662	2,440,662
	<u>1,086,211</u>	<u>1,034,813</u>	<u>3,415,707</u>	<u>2,783,183</u>

### 19. Borrowings

#### Obligations under finance leases and hire purchase contracts

	2007		2006	
	Group £	Company £	Group £	Company £
These are repayable over varying periods by monthly instalments as follows				
In the next year (note 17)	92,107	40,054	432,199	40,438
In second to fifth year (note 18)	51,398		533,860	37,813
	<u>143,505</u>	<u>40,054</u>	<u>966,059</u>	<u>78,251</u>

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

	2007		2006	
	Group £	Company £	Group £	Company £
<b>Bank loans</b>				
These are repayable over varying periods by monthly instalments as follows				
In the next year (note 17)			158,000	130,000
In second to fifth year (note 18)			441,185	304,708
			<u>599,185</u>	<u>434,708</u>
	2007		2006	
	Group £	Company £	Group £	Company £

#### Total borrowings including finance leases and hire purchase contracts

In the next year	92,107	40,054	590,199	170,438
In second to fifth year	51,398		975,045	342,521
	<u>143,505</u>	<u>40,054</u>	<u>1,565,244</u>	<u>512,959</u>

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 20 Non equity shares

Group and company	2007 £	2006 £
<b>Authorised</b>		
150,000 (2006 150,000) ordinary shares of £1 each	150,000	150,000
285,000 (2006 285,000) 'A' ordinary shares of £1 each	285,000	285,000
1,800,000 (2006 1,800,000) cumulative preference shares of £1 each	1,800,000	1,800,000
	<u>2,235,000</u>	<u>2,235,000</u>
<b>Allotted, called up and fully paid</b>		
285,000 (2006 285,000) 'A' ordinary shares of £1 each	285,000	285,000
121,334 (2006 121,334) ordinary shares of £1 each	121,334	121,334
484,848 (2006 1,800,000) cumulative preference shares of £1 each	484,848	1,800,000
	<u>891,182</u>	<u>2,206,334</u>
<b>Allotted, called up and unpaid</b>		
27,000 ordinary shares of £1 each	27,000	
	<u>71,645</u>	<u>71,645</u>
<b>Share premium account</b>	71,645	71,645
<b>Other reserve – redemption premium</b>	44,986	162,683
	<u>1,034,813</u>	<u>2,440,662</u>
<b>Total</b>		

### Preference shares

#### Dividend rights

Fixed cumulative preferential net cash dividend at the rate of £0.075 per annum per share 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 five 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. These redemptions were scheduled to commence on 31 March 1999. During the year 1,315,152 shares of £1 each were redeemed at a premium of £131,515.

#### 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.

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 20. Non equity shares (continued)

#### '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 commenced in the year ended 31 March 1998. A further dividend may be payable annually depending on conditions determined in the articles of association. These rank third for payment and commenced in the year ended 31 March 1998.

##### Winding up

On a winding up the holders have second priority to receive repayment of £1.40 per share plus all other arrears of dividend.

##### Voting rights

The holders are entitled to one vote per share.

#### Ordinary shares

##### Dividend rights

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

##### Winding up

On a winding up the holders have third priority to receive repayment of £1 per share.

##### Voting rights

The holders are entitled to one vote per share.

### 21. Provisions for liabilities

Group	2007 £	2006 £
<b>Deferred taxation</b>		
At 1 April 2006	162,063	66,273
Charge to profit and loss account		95,790
Disposal of subsidiary companies	(162,063)	
At 31 March 2007	<u>          </u>	<u>162,063</u>
 Capital allowances in excess of depreciation		164,419
Short term timing differences		(2,356)
	<u>          </u>	<u>162,063</u>

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 21. Provisions for liabilities (continued)

Company	Deferred tax asset £	2007 Deferred tax liability £	Total £	Deferred tax asset £	2006 Deferred tax liability £	Total £
At 1 April 2006		73,614	73,614			
(Credit)/charge to profit and loss account	(125,253)	(73,614)	(198,867)		73,614	73,614
At 31 March 2007	<u>(125,253)</u>	<u></u>	<u>(125,253)</u>	<u></u>	<u>73,614</u>	<u>73,614</u>
Capital allowances (less than)/in excess of depreciation	(8,408)		(8,408)		1,614	1,614
Short term timing differences	(116,845)		(116,845)		72,000	72,000
	<u>(125,253)</u>	<u></u>	<u>(125,503)</u>	<u></u>	<u>73,614</u>	<u>73,614</u>

### 22. Reserves

Group	Capital redemption reserve £	Exchange reserve £	Profit and loss account £
At 1 April 2006	50,000	(6,834)	(481,247)
Profit for the financial year			9,603,051
Other recognised gains and losses relating to the year (net)		(13,130)	(188,177)
Redemption of preference shares (note 20)	1,315,152		(1,315,152)
	<hr/>	<hr/>	<hr/>
At 31 March 2007	1,365,152	(19,964)	7,618,475
	<hr/>	<hr/>	<hr/>

Company	Capital redemption reserve £	Profit and loss account £
At 1 April 2006		(302,280)
Profit for the financial year		8,311,564
Redemption of preference shares (note 20)	1,315,152	(1,315,152)
	<hr/>	<hr/>
At 31 March 2007	1,365,152	6,694,132



# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 23 Reconciliation of movements in consolidated shareholders' funds/(deficit)

	2007 £	2006 £
Profit for the financial year	9,603,051	664,162
Other recognised gains and losses relating to the year (net)	(201,307)	(49,654)
Net movement in shareholders' funds	9,401,744	614,508
Opening shareholders' deficit	(438,081)	(1,052,589)
Closing shareholders' funds/(deficit)	<u>8,963,663</u>	<u>(438,081)</u>

### 24. Guarantees and other financial commitments

Financial commitments under non cancellable operating leases will result in the following payments falling due in the next year

	2007		2006	
	Land and buildings £	Plant and other £	Land and buildings £	Plant and other £
<b>Expiring.</b>				
Within one year		13,140		9,392
Within two to five years	95,000	29,563	107,566	61,793
After five years	35,000			
	<u>130,000</u>	<u>42,703</u>	<u>107,566</u>	<u>71,185</u>

Cross guarantees exist between the company and all of its subsidiaries for all sums due to the bank. At 31 March 2007 the group had net bank borrowings of £nil (2006 £1,076,091)

### 25. Pension costs

The group operates the Norson Group Limited Pension Scheme, a funded defined benefit pension scheme. From 30 September 2003, the scheme was closed to new entrants, and no further benefits are accruing to members beyond that date. The current service cost relates only to the cost of death in service insurance premiums and scheme admin costs. The company continues to make contributions to make good the deficit on the scheme. A full actuarial valuation was carried out at 1 October 2004 and updated to 31 March 2007 by a qualified independent actuary.

The company is unable to separately identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme in the company financial statements.

The figures below have been based on the full actuarial valuation as at 1 October 2004, updated to the current year end by a qualified independent actuary.

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 25. Pension costs (continued)

	2007 %	2007 £	2006 %	2006 £	2005 %	2005 £
Equities	7.60	2,660,746	7.50	2,498,653	7.50	2,275,096
Bonds	5.40	2,381,818	5.00	2,303,312	5.00	2,027,069
Other	5.25	1,485,757	4.00	495,645	4.00	46,000
Total fair value of assets		6,528,321		5,297,610		4,348,165
Deficit in the scheme		(6,747,121)		(6,513,076)		(5,850,973)
Scheme deficit		(218,800)		(1,215,466)		(1,502,808)
Related deferred tax asset		65,640		364,640		450,842
Net pension deficit		(153,160)		(850,826)		(1,051,966)

The major assumptions used for the actuarial valuation were

	2007 %	2006 %	2005 %
Discount rate	5.40%	5.00%	5.50%
Rate of increase in salaries	n/a	n/a	n/a
Rate of increase in pensions in payment	3.10%	2.50%	2.50%
Inflation assumption	3.10%	2.50%	2.50%

### Analysis of the amount charged to operating profit

	2007 £	2006 £
Current service cost	2,500	55,000

### Analysis of the amount credited/(charged) to finance income/(costs)

	2007 £	2006 £
Expected return on pension scheme assets	352,686	281,112
Interest on pension scheme liabilities	(320,162)	(318,412)
Net credit/(charge)	32,524	(37,300)

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 25. Pension costs (continued)

#### Analysis of the actuarial loss in the statement of total recognised gains and losses

	2007 £	2006 £
Actual return less expected return on pension scheme assets	(132,545)	433,333
Experienced gains and losses arising on the scheme liabilities	(85,818)	60,385
Changes in assumptions underlying the present value of the scheme liabilities	(50,461)	(529,076)
Actuarial loss	<u>(268,824)</u>	<u>(35,358)</u>

#### Movement in scheme deficit during the year

	2007 £	2006 £
Deficit in scheme at beginning of year	(1,215,466)	(1,502,808)
Movement in year		
Current service cost	(2,500)	(55,000)
Total contributions	1,235,466	415,000
Other finance costs	32,524	(37,300)
Actuarial loss	(268,824)	(35,358)
Deficit in scheme at end of year	<u>(218,800)</u>	<u>(1,215,466)</u>

#### History of experience gains and losses\*

	2007	2006	2005	2004	2003
<b>Difference between the expected and actual return of scheme assets.</b>					
Amount (£)	(132,545)	433,333	126,383	280,967	(695,426)
Percentage of scheme assets	(2.0%)	8.2%	2.9%	6.8%	(19%)
<b>Experience gains and losses on scheme liabilities.</b>					
Amount (£)	(85,818)	60,385	(107,080)	(1,990)	(16,949)
Percentage of scheme liabilities	(1.3%)	0.9%	(1.8%)	(0%)	(0%)
<b>Total actuarial (loss)/gain in the statement of total recognised gains and losses:</b>					
Amount (£)	(268,824)	(35,358)	313,322	189,020	(1,752,375)
Percentage of scheme liabilities	(4.0%)	(0.5%)	5.4%	3.2%	(29.5%)

The group also makes contributions to a group personal pension plan. This is a defined contribution scheme, the assets and liabilities of which are held independently from the group. Contributions in the year were £102,144 (2006: £98,532).

# Norson Group Limited

## Notes to the financial statements (continued) Year ended 31 March 2007

### 26. Share options

The company issued various options over ordinary £1 shares of the company under an Enterprise Management Incentive scheme arrangement during 2003 and 2004. No vesting conditions applied to these share options although certain options remained unexercised at the year end. All options that were unexercised at 31 March 2007 were exercised subsequent to the year end, on 11 May 2007.

	2007		2006	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
	Number	£	Number	£
Unexercised at beginning of year	77,001	2.19	77,001	2.19
Exercised during the year	(27,000)	1.00		
Unexercised at end of year	<u>50,001</u>	2.83	<u>77,001</u>	2.19

### 27. Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard 8 with regard to non disclosure of transactions between group companies.

### 28. Controlling party

At 31 March 2007 in the opinion of the directors, the company had no controlling party.

### 29. Post balance sheet events

On 11 May 2007 the entire share capital of Norson Group Limited was acquired by Norson Holdings Limited, which is now the company's immediate and ultimate parent company.

On 14 May 2007 the 484,848 outstanding preference shares of £1 each were converted to cumulative deferred shares for an aggregate sum of £1. On the same date the 285,000 'A' ordinary shares of £1 each were converted to 285,000 ordinary shares of £1 each.