

Company Registration No. SC 166753

Norson Group Limited

Annual report and financial statements

31 March 2008

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Norson Group Limited

Annual report and financial statements 2008

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Norson Group Limited

Annual report and financial statements 2008

Officers and professional advisers

Directors

G Telfer
A McLean
G Mullins
A Tully

Secretary

Paull & Williamsons

Registered Office

Union Plaza (6th 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 (6th Floor)
1 Union Wynd
Aberdeen
AB10 1DQ

Independent Auditors

Deloitte LLP
Aberdeen

Norson Group Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2008.

This directors' report has been prepared in accordance with the special provisions relating to small sized companies under section 246(4) of the Companies Act 1985.

Principal activities

The principal activity of the company is to operate as an intermediary holding company. The company also provides management services to subsidiary companies.

Review of developments

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.

The balance sheet on page 7 shows that the company has net assets of £8,800,227 compared to £8,059,284 in the prior year, reflecting the reclassification of non-equity share capital as equity share capital following the acquisition by Norson Holdings Limited.

Growth in the subsidiary company Norson Power Limited exceeded the company's forecast expectations. The buoyant oil and gas market and the company's increased engineering capability allowed it to take advantage of increased market opportunities. The company committed to increasing significantly the number of employees; this and the efforts of all employees enabled the company to compete for and supply a greater diverse range of specialist mechanical/hydraulic services. The directors believe that Norson Power Limited's ability to supply individual hydraulic components to complex mechanical/hydraulic systems gives it a strong capability within the markets in which it operates.

In the prior year, on 1 March 2007, the company disposed of one of its subsidiary companies, Norson Services Limited, for a profit of £10,288,400, after disposal costs. The final amount to be received remains to be finalised, and could vary depending on the outcome of circumstances contained in the legal agreement, but management's best assessment is that variances are expected to be limited to within +/- 1% of the cash consideration.

Results and dividends

The results for the year are shown in the profit and loss account on page 6. No dividends were paid or proposed during the year. In the prior year, preference share dividends of £130,007 and a special dividend of £533,333 in relation to the 'A' ordinary shares were paid.

Future prospects

The directors believe opportunities remain for future growth in the subsidiary company Norson Power Limited, principally from continued diversification in market areas in which the company operates, and also additional value added services it aims to supply. The directors believe that continual improvement in business processes plays an important role in achieving efficiencies and facilitating future growth. The uncertainties of the global economy may impact over the short term on the company's ability to grow, however the directors are confident of achieving continued growth even in these uncertain times.

Directors

The present membership of the Board is set out on page 1.

G Telfer was appointed as a director on 17 April 2007. A McLean, G Mullins and A Tully were appointed as directors on 14 May 2007. W Bell and R McColl resigned as directors on 14 May 2007.

The company has had directors' liability insurance cover in place since 1 June 2007.

Norson Group Limited

Directors' report (continued)

Financial risk management objective and policies

The company's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk

The company's principal financial assets are its investment in its subsidiary, Norson Power Limited, bank balances and inter-company debtors. The credit risk of liquid funds is considered to be limited because counterparties are banks.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses surplus cash funds held at bank and also has access to an overdraft facility. The company therefore has sufficient financial resources and is well placed to manage its business risks.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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 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
12 February 2009

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 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 profit or loss 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 financial statements of Norson Group Limited for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 25. 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 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 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 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 company's affairs as at 31 March 2008 and of its loss 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 LLP
Chartered Accountants and Registered Auditors
Aberdeen, United Kingdom
12 February 2009

Norson Group Limited

Profit and loss account Year ended 31 March 2008

	Note	2008 £	2007 £
Turnover - continuing operations	2	618,315	1,360,450
Administrative expenses		(998,174)	(2,929,966)
Operating loss - continuing operations	4	(379,859)	(1,569,516)
Income from shares in group undertakings		-	137,176
Profit on sale of discontinued operations	5	-	10,288,400
(Loss)/profit on ordinary activities before interest and tax		(379,859)	8,856,060
Interest payable and similar charges	6	(11,722)	(745,236)
Interest receivable and similar income	7	126,447	1,873
(Loss)/profit on ordinary activities before taxation		(265,134)	8,112,697
Tax on (loss)/profit on ordinary activities	8	(125,253)	198,867
(Loss)/profit for the financial year	18	(390,387)	8,311,564

There have been no recognised gains and losses attributable to the shareholders in either the current or preceding year, other than the above results and, accordingly, no Statement of Total Recognised Gains and Losses is presented.

Norson Group Limited

Balance sheet 31 March 2008

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	9	75,135	124,279
Investments	10	34,153	34,153
		<u>109,288</u>	<u>158,432</u>
Current assets			
Debtors	11	9,074,862	318,526
Cash held in escrow and lawyer accounts	22	2,072,139	2,879,000
Cash at bank and in hand		152,480	6,500,547
		<u>11,299,481</u>	<u>9,698,073</u>
Creditors: amounts falling due within one year	12	<u>(536,403)</u>	<u>(762,408)</u>
Net current assets		<u>10,763,078</u>	<u>8,935,665</u>
Total assets less current liabilities		<u>10,872,366</u>	<u>9,094,097</u>
Creditors: amounts falling due after more than one year	13	-	(1,034,813)
Provisions for liabilities: deferred consideration	22	<u>(2,072,139)</u>	-
Net assets		<u><u>8,800,227</u></u>	<u><u>8,059,284</u></u>
Capital and reserves			
Called up share capital	17	968,183	-
Share premium	18	163,147	-
Capital redemption reserve	18	1,365,152	1,365,152
Profit and loss account	18	6,303,745	6,694,132
Shareholders' funds	19	<u><u>8,800,227</u></u>	<u><u>8,059,284</u></u>

These financial statements were approved by the Board of Directors on 12 February 2009.

Signed on behalf of the Board of Directors



G Mullins
Director

Norson Group Limited

Notes to the financial statements Year ended 31 March 2008

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 preparation

The company's principal risks and uncertainties are discussed in the directors' report.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Cash flow statement

The company is a wholly owned subsidiary of Norson Holdings Limited and its results are included in the consolidated financial statements of that company which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

Investments

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

Consolidated financial statements have not been prepared as the company's ultimate parent company, Norson Holdings Limited, prepares consolidated financial statements. Information in these financial statements is therefore presented for the individual company rather than for its group.

Tangible fixed assets

Tangible fixed assets are stated 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:

Plant and machinery	15% per annum reducing balance or
depending on type	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 evenly over the lease period. Further information on future commitments relating to these leases is given in note 20.

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.

Norson Group Limited

Notes to the financial statements (continued) Year ended 31 March 2008

1. Accounting policies (continued)

Pension costs

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.

The company participates in the Norson Group Limited Pension Scheme, a funded defined benefit pension scheme (see note 23). 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.

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 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.

3. Directors and employees

	2008 £	2007 £
Staff costs including directors' emoluments		
Wages and salaries	558,809	925,305
Social security costs	64,971	118,071
Pension costs	6,292	19,618
	<u>630,072</u>	<u>1,062,994</u>
	2008 No.	2007 No.
Average number of persons employed		
Administration	<u>8</u>	<u>10</u>

Norson Group Limited

Notes to the financial statements (continued) Year ended 31 March 2008

3. Directors and employees (continued)

	2008 £	2007 £
Directors' emoluments		
Emoluments	365,873	894,659
Pension contributions	4,316	14,205
Total	<u>370,189</u>	<u>908,864</u>

During the year, four (2007 - one) directors exercised company share options. During the year, three (2007 - three) directors participated in company defined contribution pension schemes.

	2008 £	2007 £
Highest paid director		
Emoluments	148,117	512,751
Pension contributions	898	4,688
Total	<u>149,015</u>	<u>517,439</u>

4. Operating loss

	2008 £	2007 £
Operating loss is stated after charging:		
Auditors' remuneration	25,000	25,000
Operating leases		
Hire of plant and machinery	4,743	4,658
Loss on disposal of tangible fixed assets	1,818	747
Depreciation of tangible fixed assets		
Owned assets	28,574	18,841
Held under finance leases and hire purchase contracts	7,751	29,786

The auditors' remuneration of £25,000 (2007 - £25,000) for the Norson Holdings Limited group has been borne by Norson Group Limited in the current year. It is estimated that £5,000 (2007: £10,000) of this group audit fee related to the audit of Norson Group Limited. Fees payable to Deloitte LLP for non-audit services to the company are not required to be disclosed because the consolidated Norson Holdings Limited financial statements disclose such fees on a consolidated basis.

5. Profit on sale of discontinued operation

The profit on sale of discontinued operations in 2007 relates to the disposal of the company's interest in the ordinary share capital of Norson Services Limited, for a profit of £10,288,400, after disposal costs.

No tax charge was incurred in respect of this exceptional profit.

Norson Group Limited

Notes to the financial statements (continued) Year ended 31 March 2008

6. Interest payable and similar charges

	2008 £	2007 £
Bank overdraft interest	2,818	41,743
Term loan interest	-	21,178
Hire purchase and finance lease interest	8,904	5,157
Finance cost of non-equity shares	-	663,340
Non-equity shares appropriation	-	4,234
Premium on redemption of preference shares	-	9,584
	<u>11,722</u>	<u>745,236</u>

7. Interest receivable and similar income

	2008 £	2007 £
Bank interest	81,461	1,873
Release of preference share redemption premium (note 15)	44,986	-
	<u>126,447</u>	<u>1,873</u>

Norson Group Limited

Notes to the financial statements (continued) Year ended 31 March 2008

8. Tax on profit on ordinary activities

	2008 £	2007 £
Current tax		
UK corporation tax charge for the year	-	-
Total current tax	-	-
Deferred tax		
Timing differences, origination and reversal	125,253	(200,260)
Adjustment in respect of prior years	-	1,393
Total deferred tax	125,253	(198,867)
Total tax on profit on ordinary activities	125,253	(198,867)

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.

	2008 £	2007 £
(Loss)/profit on ordinary activities before tax	(265,134)	8,112,697
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 30% (2007: 30%)	(79,540)	2,433,809
<i>Effects of:</i>		
Income not taxable	(13,496)	(3,313,415)
Expenditure not allowable for tax purposes	5,397	390,314
Capital allowances in excess of depreciation	2,443	11,415
Movements in timing differences	(96,828)	188,845
Group relief surrendered	233,613	418,767
Tax losses not utilised	151,123	20,844
Share option deductions	(202,712)	(150,579)
Current tax for the year	-	-

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Notes to the financial statements (continued) Year ended 31 March 2008

9. Tangible fixed assets

	Plant and machinery £
Cost	
At 1 April 2007	251,379
Additions	18,499
Disposals	(68,495)
	<hr/>
At 31 March 2008	201,383
Depreciation	
At 1 April 2007	127,100
Charge for the year	36,325
Disposals	(37,177)
	<hr/>
At 31 March 2008	126,248
	<hr/>
Net book value	
At 31 March 2008	75,135
	<hr/>
At 31 March 2007	124,279
	<hr/>

The net book amount of fixed assets includes £nil (2007: £53,843) in respect of assets held under finance leases and hire purchase contracts.

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Notes to the financial statements (continued) Year ended 31 March 2008

10. Investments

Subsidiary
undertakings
£

Cost and net book value
At 1 April 2007 and 31 March 2008

34,153

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 mechanical/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
Norson Hydraulic Services Limited	Non-trading	Scotland

The results of the above companies have been included in the Norson Holdings Limited consolidated financial statements.

Norson Group Limited

Notes to the financial statements (continued) Year ended 31 March 2008

11. Debtors

	2008 £	2007 £
Amounts owed by group undertakings	9,056,410	87,143
Other debtors	17,097	73,998
Prepayments and accrued income	1,355	5,132
Unpaid share capital	-	27,000
Deferred tax asset (note 16)	-	125,253
	<u>9,074,862</u>	<u>318,526</u>

All amounts are due within one year.

12. Creditors: amounts falling due within one year

	2008 £	2007 £
Bank overdraft	-	41,052
Amounts owed to group undertakings	349,569	161,336
Other tax and social security	7,430	-
Accruals and deferred income	179,404	227,852
Obligations under finance leases and hire purchase contracts (note 14)	-	40,054
Dividends on non-equity shares	-	292,114
	<u>536,403</u>	<u>762,408</u>

The bank overdraft facility is secured by a floating charge over the assets of the Norson Holdings Limited group.

13. Creditors: amounts falling due after more than one year

	2008 £	2007 £
Non-equity shares (note 15)	<u>-</u>	<u>1,034,813</u>

14. Obligations under finance leases and hire purchase contracts

	2008 £	2007 £
These are repayable over varying periods by monthly instalments as follows:		
Within one year (note 12)	<u>-</u>	<u>40,054</u>

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

Norson Group Limited

Notes to the financial statements (continued) Year ended 31 March 2008

15. Non-equity shares

	2008 £	2007 £
Authorised		
Nil (2007: 150,000) ordinary shares of £1 each	-	150,000
Nil (2007: 285,000) 'A' ordinary shares of £1 each	-	285,000
Nil (2007: 1,800,000) cumulative preference shares of £1 each	-	1,800,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
Nil (2007: 121,334) ordinary shares of £1 each	-	121,334
Nil (2007: 285,000) 'A' ordinary shares of £1 each	-	285,000
Nil (2007: 484,848) cumulative preference shares of £1 each	-	484,848
	<hr/>	<hr/>
	-	891,182
	<hr/>	<hr/>
Allotted, called up and unpaid		
Nil (2007: 27,000) ordinary shares of £1 each	-	27,000
	<hr/>	<hr/>
Share premium account	-	71,645
	<hr/>	<hr/>
Redemption premium (note 7)	-	44,986
	<hr/>	<hr/>
Total	-	1,034,813
	<hr/>	<hr/>

On 11 May 2007, 48,334 £1 ordinary shares were issued for cash consideration of £2.80 per share and 1,667 £1 ordinary shares were issued for cash consideration of £3.70 per share (refer to details of share options exercised in note 21).

At 31 March 2007, the above non-equity shares had the following rights:

(a) Cumulative 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 were 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 originally scheduled to commence on 31 March 1999. During the year ended 31 March 2007, 1,315,152 shares of £1 each were redeemed at a premium of £131,515.

Winding up:

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

Voting rights:

The holders had no voting rights in normal circumstances.

Norson Group Limited

Notes to the financial statements (continued) Year ended 31 March 2008

15. Non-equity shares (continued)

(b) 'A' ordinary shares

Dividend rights:

Cumulative preferential net cash profit related dividend was payable annually depending on conditions determined in the articles of association. These ranked second for payment and commenced in the year ended 31 March 1998. A further dividend may have been payable annually depending on conditions which were determined in the articles of association. These ranked third for payment and commenced in the year ended 31 March 1998.

Winding up:

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

Voting rights:

The holders were entitled to one vote per share.

(c) Ordinary shares

Dividend rights:

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

Winding up:

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

Voting rights:

The holders were entitled to one vote per share.

Reclassification of share capital

On 14 May 2007, following the acquisition by Norson Holdings Limited, the 285,000 'A' ordinary shares of £1 each then in issue were reclassified into 285,000 ordinary shares of £1 each, and the 484,848 preference shares of £1 each then in issue were reclassified into 484,848 cumulative deferred shares of £1 each. The rights of all ordinary shares were amended to those detailed in note 17, and all shares were reclassified as equity shares.

Norson Group Limited

Notes to the financial statements (continued) Year ended 31 March 2008

16. Deferred tax

	2008 £	2007 £
(Asset)/liability at 1 April	(125,253)	73,614
Charge/(credit) to profit and loss account	125,253	(198,867)
Asset at 31 March	-	(125,253)
Depreciation in excess of capital allowances	-	(8,408)
Short-term timing differences	-	(116,845)
	-	(125,253)

At 31 March 2008, the company had an unprovided deferred tax asset of £176,717 arising in respect of tax losses (£147,906) and other timing differences (£28,811). This asset has not been recognised as it is uncertain whether the company will generate sufficient profits in the foreseeable future to be able to utilise this asset in full.

17. Called up share capital

	2008 £	2007 £
Authorised:		
483,335 ordinary shares of £1 each	483,335	-
484,848 cumulative deferred shares of £1 each	484,848	-
	968,183	-
Called up, allotted and fully paid:		
483,335 ordinary shares of £1 each	483,335	-
484,848 cumulative deferred shares of £1 each	484,848	-
	968,183	-

On 14 May 2007, following the acquisition by Norson Holdings Limited, the rights of certain classes of shares were amended, and all shares were reclassified as equity shares (refer to note 15).

The rights of the above shares are as follows:

The deferred shares are entitled to a fixed cumulative preferential dividend of £0.000001 per share, payable in priority. After payment of all cumulative deferred shares dividends, profits are available for distribution to the holders of the ordinary shares only.

On a return of capital, the holders of the deferred shares shall be entitled to receive an aggregate sum of £1 only, as a class.

The holders of the deferred shares have no voting rights.

Norson Group Limited

Notes to the financial statements (continued) Year ended 31 March 2008

18. Reserves

	Share premium £	Capital redemption reserve £	Profit and loss account £
At 1 April 2007	-	1,365,152	6,694,132
Reclassification of non-equity shares (note 15)	163,147	-	-
Loss for the financial year	-	-	(390,387)
At 31 March 2008	<u>163,147</u>	<u>1,365,152</u>	<u>6,303,745</u>

19. Reconciliation of movements in shareholders' funds

	2008 £	2007 £
(Loss)/profit for the financial year	(390,387)	8,311,564
Share capital issued (note 15)	141,503	-
Reclassification of non-equity shares (note 15)	989,827	-
Net addition to shareholders' funds	<u>740,943</u>	<u>8,311,564</u>
Opening shareholders' funds/(deficit)	8,059,284	(252,280)
Closing shareholders' funds	<u>8,800,227</u>	<u>8,059,284</u>

20. Guarantees and other financial commitments

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

	2008 Plant and other £	2007 Plant and other £
Expiring:		
Within one year	-	1,267
Within two to five years	<u>5,956</u>	<u>-</u>
	<u>5,956</u>	<u>1,267</u>

Cross guarantees exist between the company and its subsidiaries for all sums due to the bank. At 31 March 2008, the group had no net bank borrowings (2007: £nil).

Norson Group Limited

Notes to the financial statements (continued) Year ended 31 March 2008

21. 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 prior year end. All options that were unexercised at 31 March 2007 were exercised during the year, on 11 May 2007, prior to the acquisition by Norson Holdings Limited.

	2008		2007	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
	Number	£	Number	£
Unexercised at beginning of year	50,001	2.83	77,001	2.19
Exercised during the year	(50,001)	2.83	(27,000)	1.00
Unexercised at end of year	-	-	50,001	2.83

22. Deferred consideration

	£
Deferred consideration transferred from Norson Holdings Limited	3,379,000
Interest received in the year	140,416
Payments made during the year	(1,369,000)
Interest paid during the year	(78,277)
At 31 March 2008	2,072,139

On 11 May 2007, Norson Holdings Limited acquired the entire share capital of Norson Group Limited. An element of the consideration was deferred, as explained below.

When Norson Group Limited sold Norson Services Limited in March 2007, the consideration was paid in full to Norson Group Limited, but elements were placed in escrow and lawyer accounts operated by Norson Group Limited, pending agreement of completion accounts and resolution of certain overseas tax assessments (in respect of which costs exceeding the sums provided by Norson Services Limited are payable to the acquirer, out of the escrow account).

When Norson Holdings Limited acquired Norson Group Limited the consideration was comprised of cash plus a deferred element equating to the restricted cash within the escrow and lawyer accounts. Norson Group Limited provided letters of undertaking to all its previous shareholders indicating that the sums in escrow and lawyer accounts would be passed to them over time as the above outstanding matters were settled.

Accordingly the deferred consideration was transferred from Norson Holdings Limited to Norson Group Limited.

Norson Group Limited

Notes to the financial statements (continued) Year ended 31 March 2008

22. Deferred consideration

At 31 March 2008, the balance sheet included cash amounting to £2,072,139 (inclusive of interest of £62,139) relating to the disposal of Norson Services Limited in March 2007 and which was held in escrow and client accounts with the group's lawyers. The cash in escrow currently cannot be accessed by the company without joint instruction of both the company and the purchaser. The final amount to be received relating to the disposal of Norson Services Limited could vary depending on the resolution of certain overseas tax assessments, but a current assessment shows that variances are expected to be limited to within +/- 1% of the cash consideration.

Payments amounting to £1,369,000 (plus interest separately accrued) were released from the escrow account during the year. Subsequent to the year end, in December 2008, further payments amounting to £1,224,500 were released (plus interest and a net asset adjustment receipt of £157,295 which was agreed subsequent to the year end). At present, a balance of £785,500 (plus interest) remains held in the escrow account.

23. Pension costs

The Norson Holdings Limited 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. The group may be required to make contributions to make good the deficit on the scheme, although there were no contributions during the year ended 31 March 2008 (contributions of £1,235,466 were made in the year ended 31 March 2007).

The company and its subsidiary companies are unable to separately identify their share of the underlying assets and liabilities of the scheme and accordingly account for the scheme as if it were a defined contribution scheme in the company financial statements. At 31 March 2008 the scheme deficit in accordance with FRS 17 amounted to £27,767 (2007: £218,800). Further information on the scheme is disclosed in the accounts of Norson Holdings Limited (see note 24).

The company 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 company. Company contributions in the year were £6,292 (2007: £19,618).

24. Immediate and ultimate parent undertaking

The company's immediate and ultimate parent undertaking is Norson Holdings Limited, a company registered in Scotland. Copies of its group financial statements, which include the company, are available from the company's registered office at Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ.

25. Related party transactions

As stated in note 24, the company is a wholly owned subsidiary of Norson Holdings Limited. The company has taken advantage of the exemptions available under Financial Reporting Standard Number 8 with regard to the non-disclosure of transactions between group companies.

At 31 March 2008, G Telfer and A McLean, company directors, were owed estimated deferred consideration balances of £30,150 and £10,051 respectively, relating to the acquisition of the company (as detailed in note 22).