

**NORSON GROUP LIMITED**

**Report and Financial Statements**

**31 March 2003**



**REPORT AND FINANCIAL STATEMENTS 2003**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>3</b>
<b>Independent auditors' report</b>	<b>4</b>
<b>Consolidated profit and loss account</b>	<b>5</b>
<b>Consolidated balance sheet</b>	<b>6</b>
<b>Company balance sheet</b>	<b>7</b>
<b>Consolidated cash flow statement</b>	<b>8</b>
<b>Notes to the accounts</b>	<b>10</b>

**REPORT AND FINANCIAL STATEMENTS 2003**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

R McColl  
W M Bell  
S Fudge (Non-executive)

**SECRETARY**

Paull & Williamsons

**REGISTERED OFFICE**

Investment House  
6 Union Row  
Aberdeen  
AB10 1DQ

**BANKERS**

Clydesdale Bank PLC  
89 St Vincent Street Branch  
14 Bothwell Street  
Glasgow  
G2 6QY

**SOLICITORS**

Paull & Williamsons  
Investment House  
6 Union Row  
Aberdeen  
AB10 1DQ

**AUDITORS**

Deloitte & Touche LLP  
Aberdeen

**DIRECTORS' REPORT**

*The directors present their annual report and the audited financial statements for the year ended 31 March 2003.*

**PRINCIPAL ACTIVITY**

The principal activities of the group are the 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; design, build, installation, commissioning, servicing, repair and hire of hydraulic systems and equipment; stocking and distribution of hydraulic components for the Oil, Gas, Marine, Energy, Industrial, Petrochemical, Government Agencies, Telecommunications and Utilities Industrial both onshore and offshore.

**BUSINESS REVIEW**

The group balance sheet as detailed on page 6 shows shareholders' funds amounting to £2,119,613 (2002: £1,851,733).

**RESULTS, DIVIDENDS AND APPROPRIATIONS**

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

The directors paid and proposed dividends on all shares amounting to £256,275 (2002: £189,375) in the year and made appropriations in respect of non-equity shareholders' funds of £4,329 (2002: £31,856). The retained profit of £269,734 is transferred to reserves.

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

**DIRECTORS**

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

	Ordinary shares of £1 each	
	2003	2002
R McColl	50,000	50,000
W M Bell	50,000	50,000
S Fudge (non-executive)	-	-

**AUDITORS**

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP 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



R McColl  
Director

12/9/03

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

*United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those 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 group will continue in business.*

*The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the 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 2003 which comprise the consolidated profit and loss account, the balance sheets of the company and group, the consolidated cash flow statement and the related notes 1 to 23, together with the reconciliation of net cash flow to movement in net debt and the notes to the consolidated cash flow statement (i) to (iii). 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**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is *not consistent with the financial statements, if 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 transactions with the company and other members of the group is not disclosed.*

We read the directors' report and consider for the above year the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Aberdeen

*15 September 2003*

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2003**

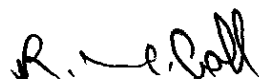
	Note	2003 £	2002 £
<b>Turnover</b>	2		
Continuing operations		11,220,377	10,193,166
Discontinued operations		-	216,135
<b>Total turnover</b>		<u>11,220,377</u>	<u>10,409,301</u>
Cost of sales	3	(8,781,836)	(8,196,488)
<b>Gross profit</b>		<u>2,438,541</u>	<u>2,212,813</u>
Distribution costs	3	(611,976)	(524,964)
Administrative expenditure	3	(1,112,582)	(1,104,104)
<b>Operating profit</b>	5		
Continuing operations		667,750	601,763
Discontinued operations		46,233	(18,018)
<b>Total operating profit</b>		<u>713,983</u>	<u>583,745</u>
Exceptional gain – gain on sale of subsidiary	6	58,592	62,064
Interest payable	7	(40,742)	(120,445)
<b>Profit on ordinary activities before taxation</b>		<u>731,833</u>	<u>525,364</u>
Tax on profit on ordinary activities	8	(201,495)	(174,661)
<b>Profit on ordinary activities after taxation</b>		<u>530,338</u>	<u>350,703</u>
Dividends	9	(256,275)	(189,375)
Other appropriations : non-equity shares	18	(4,329)	(31,856)
<b>Retained profit for the year</b>	19	<u>269,734</u>	<u>129,472</u>

There have been no recognised gains or losses attributable to the shareholders other than the profit for the current and preceding financial year, and accordingly no Statement of Total Recognised Gains and Losses is shown.

**CONSOLIDATED BALANCE SHEET**  
**31 March 2003**

	Note	2003 £	2002 £
<b>FIXED ASSETS</b>			
Intangible assets	10	1,464,408	1,571,905
Tangible assets	11	480,865	278,081
		<u>1,945,273</u>	<u>1,849,986</u>
<b>CURRENT ASSETS</b>			
Stocks	13	302,659	477,380
Debtors	14	2,753,329	3,553,944
Cash at bank and in hand		128,439	1,828,254
		<u>3,184,427</u>	<u>5,859,578</u>
<b>CREDITORS: amounts falling due Within one year</b>	15	<u>(2,772,693)</u>	<u>(5,710,889)</u>
<b>NET CURRENT ASSETS</b>		<u>411,734</u>	<u>148,689</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,357,007</u>	<u>1,998,675</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16	<u>(237,394)</u>	<u>(146,942)</u>
		<u>2,119,613</u>	<u>1,851,733</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	2,235,000	2,235,000
Share premium account		71,645	71,645
Other reserve	18	149,696	145,367
Exchange Reserve	19	(6,183)	-
Profit and loss account	19	(330,545)	(600,279)
<b>TOTAL SHAREHOLDERS' FUNDS</b>	20	<u>2,119,613</u>	<u>1,851,733</u>
Analysed as:			
Equity shareholders' funds/(deficit)		169,917	(93,634)
Non-equity shareholders' funds		1,949,696	1,945,367
		<u>2,119,613</u>	<u>1,851,733</u>

These financial statements were approved by the Board of Directors on 12<sup>th</sup> September 2003  
Signed on behalf of the Board of Directors



R McColl

Director



COMPANY BALANCE SHEET  
31 March 2003

	Note	2003 £	2002 £
<b>FIXED ASSETS</b>			
Tangible assets	11	99,861	78,036
Investments	12	2,633,098	2,633,098
		<u>2,732,959</u>	<u>2,711,134</u>
<b>CURRENT ASSETS</b>			
Debtors	14	993,488	3,510,816
<b>CREDITORS: amounts falling due within one year</b>	15	(540,981)	(3,586,718)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>452,507</u>	<u>(75,902)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,185,466	2,635,232
<b>CREDITORS: amounts falling due after more than one year</b>	16	(182,813)	(146,942)
		<u>3,002,653</u>	<u>2,488,290</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	2,235,000	2,235,000
Share premium account		71,645	71,645
Other reserve	18	149,696	145,367
Profit and loss account	19	546,312	36,278
<b>TOTAL SHAREHOLDERS' FUNDS</b>	20	<u>3,002,653</u>	<u>2,488,290</u>
Analysed as:			
Equity shareholders' funds		1,052,957	542,923
Non-equity shareholders' funds		1,949,696	1,945,367
		<u>3,002,653</u>	<u>2,488,290</u>

These financial statements were approved by the Board of Directors on  
Signed on behalf of the Board of Directors

12<sup>th</sup> September 2003



R McColl  
Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 March 2003**

	Note	2003 £	2002 £
<b>Net cash inflow from operating activities</b>	i	<u>1,626,337</u>	<u>862,310</u>
<b>Returns on investments and servicing of finance</b>			
Interest paid		(40,742)	(120,445)
Non-equity dividends paid		(209,648)	(270,000)
		<u>(250,390)</u>	<u>(390,445)</u>
<b>Taxation</b>		<u>(264,788)</u>	<u>(22,722)</u>
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(229,973)	(158,716)
Receipts from sale of tangible fixed assets		7,500	14,288
		<u>(222,473)</u>	<u>(144,428)</u>
<b>Acquisitions and disposals</b>			
Receipts from sale of assets of subsidiary	ii	257,888	249,096
<b>Cash inflow before financing</b>		<u>1,146,574</u>	<u>553,811</u>
<b>Financing</b>			
New borrowings		31,739	-
Capital element of finance lease rental payments		(20,045)	(11,254)
		<u>11,694</u>	<u>(11,254)</u>
<b>Increase in cash</b>		<u><u>1,158,268</u></u>	<u><u>542,557</u></u>
		<b>2003 £</b>	<b>2002 £</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase in cash in the period	iii	1,158,268	542,557
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		<u>(11,694)</u>	<u>11,254</u>
Movement in net debt resulting from cash flows		1,146,574	553,811
New finance leases		<u>(66,552)</u>	<u>(32,310)</u>
Movement in net debt in the period		1,080,022	521,501
Opening net debt	iii	<u>(1,332,481)</u>	<u>(1,853,982)</u>
Closing net debt	iii	<u><u>(252,459)</u></u>	<u><u>(1,332,481)</u></u>

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

**Year ended 31 March 2003**

**i. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2003 £	2002 £
Operating profit	713,983	583,745
Depreciation charge/amortisation charge	201,238	181,829
Profit on sale of fixed assets	(7,500)	(12,325)
Exchange movement	(6,183)	-
Decrease/(increase) in stock	174,721	(175,484)
Decrease in debtors	601,319	657,823
Decrease in creditors	(51,241)	(373,278)
<b>Net cash inflow from operating activities</b>	<u><u>1,626,337</u></u>	<u><u>862,310</u></u>

**ii. ACQUISITIONS AND DISPOSAL**

During the year, £257,888 (2002: £249,096) of the deferred consideration in respect of the prior year disposal was received in cash.

See note 6 for further details of the disposal.

**iii. ANALYSIS OF CHANGES IN NET DEBT**

	At 31 March 2002 £	Cash flow £	Other non-cash charges £	At 31 March 2003 £
Cash at bank and in hand	1,828,254	(1,699,815)	-	128,439
Bank overdrafts	(3,136,329)	2,858,083	-	(278,246)
	<u>(1,308,075)</u>	<u>1,158,268</u>	<u>-</u>	<u>(149,807)</u>
Debt due after one year	-	(31,739)	-	(31,739)
Finance leases and hire purchase contracts	(24,406)	20,045	(66,552)	(70,913)
	<u>(24,406)</u>	<u>(11,694)</u>	<u>(66,552)</u>	<u>(102,652)</u>
<b>Total</b>	<u><u>(1,332,481)</u></u>	<u><u>1,146,574</u></u>	<u><u>(66,552)</u></u>	<u><u>(252,459)</u></u>

**NOTES TO THE ACCOUNTS****Year ended 31 March 2003****1. ACCOUNTING POLICIES****Basis of accounting**

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

**Basis of consolidation**

The consolidated financial statements incorporate the accounts of the company and its subsidiaries for the period ended 31 March 2003. No profit and loss account is presented for Norson Group Limited as provided by S230 of the Companies Act 1985. The loss of Norson Group Limited is given in note 19.

**Goodwill**

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

**Tangible fixed assets**

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

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

Leasehold buildings	4% - 15% per annum straight line
Plant and machinery	15% per annum reducing balance
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 as incurred. Further information on future commitments is given in note 22.

**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.

**NOTES TO THE ACCOUNTS****Year ended 31 March 2003****1. ACCOUNTING POLICIES (CONTINUED)****Stocks (continued)**

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

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

**Pension costs**

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

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

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

Further information on pension costs is provided in note 23.

**Foreign currency**

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

**Deferred taxation**

Deferred 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 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 has been omitted as the directors believe that such disclosure would be prejudicial to the interests of the group.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003**

**3. ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS**

	Continuing 2003	Dis- continued 2003	Total 2003	Continuing 2002	Dis- continued 2002	Total 2002
	£	£	£	£	£	£
Turnover	11,220,377	-	11,220,377	10,193,166	216,135	10,409,301
Cost of sales	8,828,069	(46,233)	8,781,836	7,962,335	234,153	8,196,488
Gross profit	2,392,308	46,233	2,438,541	2,230,831	(18,018)	2,212,813
Distribution costs	611,976	-	611,976	524,964	-	524,964
Administrative expenses	1,112,582	-	1,112,582	1,104,104	-	1,104,104
	1,724,558	-	1,724,558	1,629,068	-	1,629,068
Operating profit	667,750	46,233	713,983	601,763	(18,018)	583,745

**4. DIRECTORS AND EMPLOYEES**

	2003 £	2002 £
<b>Staff costs including directors' emoluments</b>		
Wages and salaries	3,726,014	3,555,580
Social security costs	327,413	318,078
Pension costs	209,076	171,222
	4,262,503	4,044,880
<b>Average number of persons employed</b>	<b>No.</b>	<b>No.</b>
Production	100	99
Sales and distribution	12	12
Administration	14	15
	126	126
	£	£
<b>Directors</b>		
Directors' emoluments	229,714	162,796
The number of directors accruing benefits under the pension scheme during the year was 2 (2002: 2).		
	£	£
<b>Highest paid director</b>		
Total emoluments	118,274	81,901
Defined benefit pension:		
Accrued pension at end of year	43,654	40,165

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003**

**5. OPERATING PROFIT**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Operating profit is after charging/(crediting):</b>		
Auditors' remuneration	12,000	11,000
Operating leases		
Hire of plant and machinery	108,213	109,711
Hire of other assets	154,547	144,691
Amortisation of goodwill	107,497	107,497
Depreciation of tangible fixed assets		
Owned assets	80,391	74,332
Held under finance leases and hire purchase contracts	13,350	-
Profit on sale of tangible fixed assets	<u>(7,500)</u>	<u>(12,325)</u>

**6. EXCEPTIONAL GAIN**

This represents the gain on sale of certain assets of the Norson Engineering Limited business sold during 2001 in accordance with the earn out clause of the rate agreement.

**7. INTEREST PAYABLE**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Bank overdraft interest	29,359	117,427
Other interest	<u>11,383</u>	<u>3,018</u>
	<u>40,742</u>	<u>120,445</u>

## NOTES TO THE ACCOUNTS

Year ended 31 March 2003

## 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £	2002 £
<i>Current Taxation</i>		
UK corporation tax charge for the year	233,292	174,661
Adjustments in respect of prior years	(54,519)	(2,672)
	<u>178,773</u>	<u>171,989</u>
Foreign tax adjustments in respect of prior years	22,722	-
Total current tax	<u>201,495</u>	<u>171,989</u>
Deferred taxation:		
Adjustments to estimated recoverable amounts of deferred tax assets arising in prior years	-	(16,074)
Timing differences, origination and reversal	-	18,746
Tax on profit on ordinary activities	<u>201,495</u>	<u>174,661</u>

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 is higher for the reasons set out in the following reconciliation.

	2003 £	2002 £
Profit on ordinary activities before tax	731,833	525,364
Tax on profit on ordinary activities at standard rate	219,550	157,610
Factors affecting the charge for the period:		
Difference in tax rate	(2,807)	
Expenditure not allowable for tax purposes (including amortisation of goodwill)	27,591	41,291
Capital allowances in excess of depreciation	(17,717)	(26,912)
Prior period adjustments	(31,797)	-
Short term timing differences	6,675	-
Total actual amount of current tax	<u>201,495</u>	<u>171,989</u>

## 9. DIVIDENDS

	2003 £	2002 £
<b>Non-equity dividends</b>		
Paid – 7.5p per preference share (2002 paid 7.5p)	135,000	135,000
<b>Equity dividend</b>		
Proposed – 27.9p per ordinary share (2002: 12.5p)	121,275	54,375
	<u>256,275</u>	<u>189,375</u>



NOTES TO THE ACCOUNTS  
Year ended 31 March 2003

## 10. INTANGIBLE FIXED ASSETS

<b>Group</b>	<b>Goodwill £</b>
<b>Cost</b>	
At 31 March 2002 and at 31 March 2003	2,149,958
<b>Amortisation</b>	
At 31 March 2002	578,053
Charge for the year	107,497
At 31 March 2003	685,550
<b>Net book value</b>	
At 31 March 2003	1,464,408
At 31 March 2002	1,571,905

The goodwill on consolidation arose on the acquisition of Norson Services Limited and Norson Hydraulic Services Limited.

## 11. TANGIBLE FIXED ASSETS

<b>Group</b>	<b>Leasehold buildings £</b>	<b>Plant and machinery £</b>	<b>Total £</b>
<b>Cost</b>			
At 31 March 2002	55,633	2,228,849	2,284,482
Additions	5,241	291,284	296,525
Disposals	-	(30,858)	(30,858)
At 31 March 2003	60,874	2,489,275	2,550,149
<b>Depreciation</b>			
At 31 March 2002	51,910	1,954,491	2,006,401
Charge for the year	4,894	88,847	93,741
Disposals	-	(30,858)	(30,858)
At 31 March 2003	56,804	2,012,480	2,069,284
<b>Net book value</b>			
At 31 March 2003	4,070	476,795	480,865
At 31 March 2002	3,723	274,358	278,081

The net book value of fixed assets includes £85,512 (2002: £32,310) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 5.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003****11. TANGIBLE FIXED ASSETS (CONTINUED)**

<b>Company</b>	<b>Plant and machinery £</b>
<b>Cost</b>	
At 31 March 2002	235,281
Additions	44,855
Disposals	(30,858)
	<hr/>
At 31 March 2003	249,278
<b>Depreciation</b>	
At 31 March 2002	157,245
Charge for year	23,030
Disposals	(30,858)
	<hr/>
At 31 March 2003	149,417
<b>Net book value</b>	
At 31 March 2003	99,861
	<hr/>
At 31 March 2002	78,036
	<hr/>

The net book amount of fixed assets includes £55,540 (2002: £32,310) in respect of assets held under finance leases and hire purchase contracts.

## NOTES TO THE ACCOUNTS

Year ended 31 March 2003

## 12. INVESTMENTS

## Company

Subsidiary  
undertakings  
£

## Cost and net book value

At 31 March 2002 and 31 March 2003

2,633,098

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

Name	Trade	Country of incorporation
Norson Services Limited	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; design, build, installation, commissioning, servicing and repair and hire of hydraulic systems and equipment; stocking and distribution of hydraulic components for the Oil, Gas, Marine, Energy, Industrial, Petrochemical, Government Agencies, Telecommunications and Utilities Industries both onshore and offshore.	Scotland
Norson Services LLC *	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; stocking and rental of test equipment for the Oil, Gas, Marine, Energy, Industrial, Petrochemical, Government Agencies, Telecommunications and Utilities Industries both onshore and offshore.	USA
Norson Engineering Limited	The company has ceased its principal activity of the design, manufacture, installation and servicing of products for the oil and gas, marine and petrochemical markets.	Scotland

\* Held by subsidiary undertaking.

The company indirectly holds 100% of the share capital of Norson Hydraulic Services Limited, a dormant company incorporated in Scotland.

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

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003****13. STOCKS**

<b>Group</b>	<b>2003 £</b>	<b>2002 £</b>
Work-in-progress	173,499	355,458
Finished goods and goods for resale	129,160	121,922
	<u>302,659</u>	<u>477,380</u>

**14. DEBTORS**

	<b>2003</b>		<b>2002</b>	
	<b>Group £</b>	<b>Company £</b>	<b>Group £</b>	<b>Company £</b>
<b>Amounts falling due within one year:</b>				
Trade debtors	2,447,813	-	2,926,034	-
ACT recoverable	16,875	16,875	16,875	16,875
Amounts recoverable on contracts	189,776	-	337,500	-
Amounts owed by group undertakings	-	971,939	-	3,484,757
Other debtors	37,028	700	227,957	795
Prepayments and accrued income	61,837	3,974	45,578	8,389
	<u>2,753,329</u>	<u>993,488</u>	<u>3,553,944</u>	<u>3,510,816</u>

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2003</b>		<b>2002</b>	
	<b>Group £</b>	<b>Company £</b>	<b>Group £</b>	<b>Company £</b>
Bank overdraft	278,246	1,072	3,136,329	3,136,329
Trade creditors	1,247,751	-	1,011,771	-
Amounts due to group undertakings	-	-	-	-
Payments received on account in respect of contracts	-	-	18,931	-
Corporation tax	88,953	1,300	151,939	1,300
Other taxation and social security	164,516	-	175,034	-
Accruals and deferred income	853,312	404,744	1,135,989	368,411
Obligations under finance leases and hire purchase contracts	18,640	12,590	6,248	6,030
Proposed dividends	121,275	121,275	74,648	74,648
	<u>2,772,693</u>	<u>540,981</u>	<u>5,710,889</u>	<u>3,586,718</u>

The bank overdraft is secured by a floating charge over the assets of the group and bears interest at 2% above LIBOR.

NOTES TO THE ACCOUNTS  
Year ended 31 March 2003

## 16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003		2002	
	Group £	Company £	Group £	Company £
Pension scheme	153,382	153,382	128,784	128,784
Obligations under finance leases and hire purchase contracts	52,273	29,431	18,158	18,158
Term loan	31,739	-	-	-
	<u>237,394</u>	<u>182,813</u>	<u>146,942</u>	<u>146,942</u>

The term loans are secured on the assets to which they relate and bear interest at varying rates. The loans have no fixed terms of repayment.

## Obligations under finance leases and hire purchase contracts

	2003		2002	
	Group £	Company £	Group £	Company £
These are repayable over varying periods by monthly instalments as follows:				
In the next year – see note 15	18,640	12,590	6,248	6,030
In second to fifth year	52,273	29,431	18,158	18,158
	<u>70,913</u>	<u>42,021</u>	<u>24,406</u>	<u>24,188</u>

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

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003****17. CALLED UP SHARE CAPITAL**

<b>Group and company</b>	<b>2003 £</b>	<b>2002 £</b>
<b>Authorised Equity</b>		
150,000 ordinary shares of £1 each	150,000	150,000
285,000 'A' ordinary shares of £1 each	285,000	285,000
<b>Non-equity</b>		
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 Equity</b>		
150,000 ordinary shares of £1 each	150,000	150,000
285,000 'A' ordinary shares of £1 each	285,000	285,000
<b>Non-equity</b>		
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>

**Preference shares****Dividend rights:**

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

**Redemption of shares:**

Redeemable in 5 annual instalments of 390,000 shares, 390,000 shares, 400,000 shares, 310,000 shares and 310,000 shares respectively, at £1.10 per share. These redemptions were scheduled to commence on 31 March 1999, however no redemptions have been made.

**Winding up:**

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

**Voting rights:**

The holders have no voting rights in normal circumstances.

**'A' ordinary shares****Dividend rights:**

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

**Winding up:**

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

**Voting rights:**

The holders are entitled to one vote per share.

NOTES TO THE ACCOUNTS  
Year ended 31 March 2003

## 18. OTHER RESERVE

	2003		2002	
	Group £	Company £	Group £	Company £
At 31 March 2002	145,367	145,367	113,511	113,511
Appropriation	4,329	4,329	31,856	31,856
At 31 March 2003	<u>149,696</u>	<u>149,696</u>	<u>145,367</u>	<u>145,367</u>

This reserve represents the accumulated appropriations in respect of non-equity shares.

## 19. RESERVES

	Group Exchange reserve £	Group Profit and loss account £	Company Profit and loss account £
At 31 March 2002	-	(600,279)	36,278
Profit for the year	(6,183)	269,734	510,034
At 31 March 2003	<u>(6,183)</u>	<u>(330,545)</u>	<u>546,312</u>

## 20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003		2002	
	Group £	Company £	Group £	Company £
Profit for the year	524,155	770,638	350,703	243,763
Less: dividends payable	(256,275)	(256,275)	(189,375)	(189,375)
Net movement in shareholders' funds	<u>267,880</u>	<u>514,363</u>	<u>161,328</u>	<u>54,388</u>
Opening shareholders' funds	<u>1,851,733</u>	<u>2,488,290</u>	<u>1,690,405</u>	<u>2,433,902</u>
Closing shareholders' funds	<u>2,119,613</u>	<u>3,002,653</u>	<u>1,851,733</u>	<u>2,488,290</u>

NOTES TO THE ACCOUNTS  
Year ended 31 March 2003

## 21. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

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

	2003		2002	
	Land and buildings £	Plant and other £	Land and buildings £	Plant and other £
<b>Expiring:</b>				
Within 1 year	14,420	-	20,764	12,897
Between 2 and 5 years	74,902	96,200	11,196	97,951
After more than 5 years	-	-	85,000	-
	<u>89,322</u>	<u>96,200</u>	<u>116,960</u>	<u>110,848</u>

Cross guarantees exist between the company and all of its subsidiaries for all sums due to the bank. At 31 March 2003 the group had net bank borrowings of £181,546 (2002 - £1,308,075).

## 22. CONTINGENT LIABILITIES

Group	2003 £	2002 £
Performance bonds and guarantees issued in the normal course of business	<u>212,651</u>	<u>101,389</u>

## 23. PENSION COSTS

The company operates the Norson Group Limited Pension Scheme, a funded defined benefit pension scheme.

The company currently accounts for pensions under SSAP24. Under the transitional arrangements for FRS17, the company is required to provide additional disclosures relating to its pension scheme. These are provided below.

As required by SSAP 24, the figures included in the accounts in respect of the company pension scheme are based on an actuarial valuation carried out at 31 October 2001. This does not take into account any impact of the fall in general stock market values since that date. Any such impact will be reflected in the next SSAP 24 triennial valuations based upon which subsequent pension costs will be determined until the adoption of FRS 17.

## SSAP24

A valuation was carried out by a qualified independent actuary at 31 October 2001 using the projected unit method. Following the valuation it was agreed that the employer would pay contributions at the rate of 10.2% of pensionable salaries. This includes 4.3% of pensionable salaries in respect of the deficit in the scheme payable over 10 years.



NOTES TO THE ACCOUNTS  
Year ended 31 March 2003

## 23. PENSION COSTS (CONTINUED)

The assumptions which have the most significant effect on the results of the valuation are set out below:

Pay growth	3.5% p.a.
Price inflation	2.5% p.a.
Pre-retirement discount rate	7.25% p.a.
Post-retirement discount rate	5.75% p.a.

The total market value of the scheme's assets at the last valuation date, together with the funding level as a percentage of accrued benefits after allowing for future increases in earnings, was £3,617,000 (83%).

The total pension cost for the year was £209,076 (2002: £171,722). There is a provision for pension costs of £153,382 (2002: £128,784) in the balance sheet as at 31 March 2003 arising from the accumulated difference between the contributions paid and the corresponding pension costs.

## FRS17

The figures below have been based on the full actuarial valuation as at 31 October 2001, updated to the current year-end by a qualified independent actuary. The scheme has now been closed to new entrants, and under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

The assets in the scheme and the expected long term rate of return were:

	2003 %	2003 £	2002 %	2002 £
Equities	7.50	1,427,000	7.75	1,878,000
Bonds	5.00	2,000,000	5.75	1,852,000
Other	4.00	182,000	4.50	183,000
Total market value of assets		3,609,000		3,913,000
Present value of scheme liabilities		(5,950,000)		(4,498,000)
Scheme deficit		(2,341,000)		(585,000)
Related deferred tax asset		702,300		175,500
Net pension deficit		(1,638,700)		(409,500)

The liabilities of the scheme at 31 March 2003 were calculated on the following bases as required under FRS17:

	2003	2002
Discount rate	5.25%	6.25%
Rate of increase in salaries	3.50%	3.50%
Rate of increase in pensions in payment	2.50%	2.50%
Rate of increase in pensions in deferment	2.50%	2.50%
Inflation assumption	2.50%	2.50%

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003**

**23. PENSION COSTS (CONTINUED)**

Present value of scheme liabilities	(5,950,000)	(4,498,000)
Scheme deficit	(2,341,000)	(585,000)
Related deferred tax asset	702,300	175,500
Net pension deficit	<u>(1,638,700)</u>	<u>(409,500)</u>

If the group had to reflect the net pension liability through its reserves at 31 March 2003 then the net profit and loss account reserve figure would have been stated as shown below:

	2003 £	2002 £
Profit and loss account excluding pension scheme deficit	(330,545)	(600,279)
Pension scheme deficit after deferred tax	<u>(1,969,245)</u>	<u>(409,500)</u>
	<u>(1,975,428)</u>	<u>(1,009,779)</u>

**Amount that would be charged to operating profit**

	2003 £
Current service cost	(186,000)
Actuarial loss recognised in STRGL	<u>(186,000)</u>

**Amount that would be credited to net financial income**

	2003 £
Expected return on pension scheme assets	264,426
Interest on pension scheme liabilities	<u>(291,051)</u>
Net return	<u>(26,625)</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003**

**23. PENSION COSTS (CONTINUED)**

**Amount that would be recognised in the statement of total recognised gains and losses (STRGL):**

	<b>2003</b> <b>£</b>
Actual return less expected return on pension scheme assets	(695,426)
Experience gains on liabilities	(16,949)
Changes in assumptions	<u>(1,040,000)</u>
Actuarial loss recognised in STRGL	<u><u>(1,752,375)</u></u>

**Movements in pension scheme deficit during the year:**

	<b>2003</b> <b>£</b>
Deficit in scheme at beginning of year	(585,000)
Movement in year:	
Current service costs	(186,000)
Contributions	209,000
Other finance income	(26,625)
Actuarial loss	<u>(1,752,375)</u>
Deficit in scheme at end of year	<u><u>(2,341,000)</u></u>

**History of experience gains and losses:**

	<b>2003</b> <b>£</b>
Difference between expected and actual return of scheme assets:	(695,426)
Percentage of scheme assets	(19%)
Experience gains and losses on scheme liabilities:	(16,949)
Percentage of scheme liabilities	(0%)
Total amount recognised in statement of total recognised gains and losses	(1,752,375)
Percentage of scheme liabilities	(29%)