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NORSON GROUP LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999

DELOITTE & TOUCHE
Chartered Accountants
39 St Vincent Place
Glasgow
G1 2QQ

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NORSON GROUP LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999

**Deloitte
& Touche**

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NORSON GROUP LIMITED**COMPANY INFORMATION****31 MARCH 1999**

DIRECTORS	R McColl W M Bell R McKeown J McMillan (non-executive)
SECRETARY	Paull & Williamsons
REGISTERED OFFICE	Investment House 6 Union Row Aberdeen AB10 1DQ
BANKERS	Clydesdale Bank PLC 89 St Vincent Street Glasgow G2 5TF
SOLICITORS	Paull & Williamsons Investment House 6 Union Row Aberdeen AB10 1DQ
AUDITORS	Deloitte & Touche Chartered Accountants 39 St Vincent Place Glasgow G1 2QQ
REGISTERED NUMBER	SC166753

NORSON GROUP LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 MARCH 1999

The directors present their report and the audited financial statements for the year ended 31 March 1999.

Principal activity

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

Business review

The group balance sheet as detailed on page 6 shows a satisfactory position, shareholders' funds amounting to £3,211,141.

Profits, dividends and appropriations

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

The directors paid and proposed dividends on all shares amounting to £155,273 in the year and made appropriations in respect of non-equity shareholders' funds of £19,416. The balance of profit for the year is to be 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:

	31 March 1999 Ordinary Shares No	31 March 1998 Ordinary Shares No
R McColl	50,000	50,000
W M Bell	50,000	50,000
R McKeown	50,000	50,000
J McMillan	-	-

NORSON GROUP LIMITED**DIRECTORS' REPORT****YEAR ENDED 31 MARCH 1999****Events during the year relating to subsidiary undertakings**

On 1 April 1998 the entire share capital of Norson Hydraulic Services Limited was transferred from Norson Group Limited to Norson Services Limited. At the same time, the business and assets of Norson Hydraulic Services Limited were hived up to Norson Services Limited.

On 1 April 1998 Norson Services Limited transferred, as a going concern, the entire trade and assets of its engineering division to Norson Engineering Limited.

Year 2000 compliance

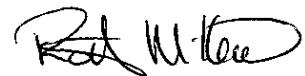
The directors have considered the company's requirements for Year 2000 compliance in respect of operating procedures and are satisfied that the system will meet such requirements. No problems or major costs are foreseen in this area.

European monetary union

The company does not expect the introduction of the Single European Currency, the Euro, to have a significant effect on its activities. As a result, it is the intention to treat any transactions as they would any foreign currency for the foreseeable future.

Auditors

Rutherford Manson Dowds merged their practice with Deloitte & Touche on 1 July 1999 and now carry on business under the name of Deloitte & Touche. The Directors consented to the appointment of Rutherford Manson Dowds as auditors of the company being treated as extending to Deloitte & Touche. A resolution to reappoint Deloitte & Touche as auditors will be proposed at the Annual General Meeting.

On behalf of the Board**R McKeown
Director****15 June 2000**

NORSON GROUP LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

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

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

Respective responsibilities of directors and auditors

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

Basis of opinion

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

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

Uncertainty relating to contract in arbitration

In forming our opinion we have considered the adequacy of the disclosure made in note 14 to the accounts in relation to the outcome of one specific contract which has been referred to arbitration. Until the arbitration proceedings are completed, it is not possible to estimate, with any reasonable degree of certainty, whether or not adjustments are required to the figures included in the financial statements for turnover, profits before and after taxation, trade debtors and amounts recoverable on contracts. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and company as at 31 March 1999 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

**Deloitte & Touche
Chartered Accountants
Registered Auditors**

15 June 2000

NORSON GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 1999

	Note	1999 £	1998 £
Turnover	2	20,356,288	20,032,725
Cost of sales		(17,956,085)	(16,841,682)
Gross profit		2,400,203	3,191,043
Operating expenses		(1,946,929)	(1,736,871)
Operating profit	4	453,274	1,454,172
Interest receivable	5	36,308	29,489
Interest payable	6	(116,657)	(73,793)
Profit on ordinary activities before taxation		372,925	1,409,868
Taxation	7	(114,120)	(469,697)
Profit on ordinary activities after taxation		258,805	940,171
Dividends (including non-equity)	8	(155,273)	(333,480)
Other appropriations: non-equity shares		(19,416)	(19,611)
Retained profit for the year		84,116	587,080

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

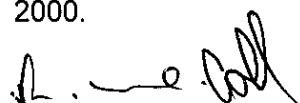
None of the group's activities were acquired or discontinued during the year to 31 March 1999.

There are no recognised gains or losses in 1999 and 1998 other than the profit for those years.

NORSON GROUP LIMITED
CONSOLIDATED BALANCE SHEET
AT 31 MARCH 1999

	Note	1999	1998
		£	£
Fixed assets			
Intangible assets	10	1,894,396	2,001,893
Tangible assets	11	418,364	437,104
		<u>2,312,760</u>	<u>2,438,997</u>
Current assets			
Stock	13	457,020	515,488
Debtors	14	5,899,029	5,834,636
Cash at bank and in hand		1,375,203	3,411,206
		<u>7,731,252</u>	<u>9,761,330</u>
Creditors: amounts falling due within one year	15	<u>(6,643,755)</u>	<u>(8,754,495)</u>
Net current assets		<u>1,087,497</u>	<u>1,006,835</u>
Total assets less current liabilities		<u>3,400,257</u>	<u>3,445,832</u>
Creditors: amounts falling due after more than one year	16	<u>(189,116)</u>	<u>(338,223)</u>
		<u>3,211,141</u>	<u>3,107,609</u>
Capital and reserves			
Called up share capital	17	2,235,000	2,235,000
Profit and loss account	18	830,520	746,404
Share premium account	19	71,645	71,645
Other reserve	20	73,976	54,560
Total shareholders' funds	21	<u>3,211,141</u>	<u>3,107,609</u>
Analysed as:			
Equity shareholders' funds		1,337,165	1,253,049
Non-equity shareholders' funds		1,873,976	1,854,560
		<u>3,211,141</u>	<u>3,107,609</u>

The financial statements on pages 5 to 25 were approved by the board of directors on 15 June 2000.

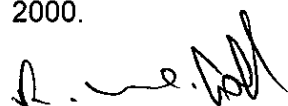


R McColl
Director

NORSON GROUP LIMITED
COMPANY BALANCE SHEET
AT 31 MARCH 1999

	Note	1999	1998
		£	£
Fixed assets			
Tangible assets	11	89,351	-
Investments	12	2,633,098	3,458,098
		<u>2,722,449</u>	<u>3,458,098</u>
Current assets			
Debtors	14	342,316	262,529
Cash at bank and in hand		-	3,068,114
		<u>342,316</u>	<u>3,330,643</u>
Creditors: amounts falling due within one year	15	(502,029)	(4,287,435)
Net current liabilities		<u>(159,713)</u>	<u>(956,792)</u>
Total assets less current Liabilities		<u>2,562,736</u>	<u>2,501,306</u>
Creditors: amounts falling due after more than one year	16	(175,206)	(187,500)
		<u>2,387,530</u>	<u>2,313,806</u>
Capital and reserves			
Called up share capital	17	2,235,000	2,235,000
Profit and loss account	18	6,909	(47,399)
Share premium account	19	71,645	71,645
Other reserve	20	73,976	54,560
Total shareholders' funds	21	<u>2,387,530</u>	<u>2,313,806</u>
Analysed as:			
Equity shareholders' funds		513,554	459,246
Non-equity shareholders' funds		1,873,976	1,854,560
		<u>2,387,530</u>	<u>2,313,806</u>

The financial statements on pages 5 to 25 were approved by the board of directors on 15 June 2000.



R McColl
Director

NORSON GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 1999

	Note	1999 £	1998 £
Net cash (outflow)/inflow from operating activities	i	(2,956,827)	3,461,777
Returns on investments and servicing of finance			
Interest received		36,308	29,489
Interest paid		(116,657)	(73,793)
Dividends paid		(67,500)	(131,255)
		(147,849)	(175,559)
Taxation paid		(566,059)	(281,445)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(137,772)	(140,078)
Receipts from sale of tangible fixed assets		26,926	94,775
		(110,846)	(45,303)
Acquisitions and disposals			
Acquisition of subsidiary	iii	-	(825,000)
Net cash acquired with subsidiary		-	(665,301)
		-	(1,490,301)
Equity dividends paid		(71,730)	(130,500)
Cash outflow before financing		(3,853,311)	(1,338,669)
Financing			
Net proceeds of issue of share capital		-	356,645
Capital element of finance lease rentals		(38,188)	(79,354)
Bank loan repayments		(112,500)	(100,000)
		(150,688)	177,291
(Decrease)/increase in cash		(4,003,999)	1,515,960

NORSON GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT (Continued)

YEAR ENDED 31 MARCH 1999

	Note	1999 £	1998 £
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period	i	(4,003,999)	1,515,960
Cash outflow from increase in debt and lease financing		150,688	179,354
Change in net debt resulting from cash flow		(3,853,311)	1,695,314
New finance leases		-	(69,044)
Movement in net debt		(3,853,311)	1,626,270
Net funds at 31 March 1998	ii	1,308,790	(317,480)
Net debt at 31 March 1999	ii	(2,544,521)	1,308,790

NORSON GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 1999

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

	1999 £	1998 £
Operating profit	453,274	1,454,172
Depreciation charge/amortisation charge	245,559	353,212
Profit on sale of fixed assets	(8,476)	(6,518)
Decrease in stock	58,468	109,074
Increase in debtors	(64,393)	(689,833)
(Decrease)/increase in creditors	(3,641,259)	2,241,670
	<u>(2,956,827)</u>	<u>3,461,777</u>

ii Analysis of changes in net debt

	At 1.4.98 £	Cash flow £	At 31.3.99 £
Cash in hand, at bank	3,411,206	(2,036,003)	1,375,203
Overdrafts	(1,682,927)	(1,967,996)	(3,650,923)
	<u>1,728,279</u>	<u>(4,003,999)</u>	<u>(2,275,720)</u>
Debt due after one year	(187,500)	125,000	(62,500)
Debt due within one year	(112,500)	(12,500)	(125,000)
Finance leases and hire purchase contracts	(119,489)	38,188	(81,301)
	<u>(419,489)</u>	<u>150,688</u>	<u>(268,801)</u>
Total	<u>1,308,790</u>	<u>(3,853,311)</u>	<u>(2,544,521)</u>

NORSON GROUP LIMITED
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)
YEAR ENDED 31 MARCH 1999
iii Acquisition of subsidiary

	1999 £	1998 £
Fair value of net assets acquired:		
Tangible fixed assets	-	202,878
Stocks	-	366,728
Debtors	-	1,252,233
Overdrafts	-	(665,301)
Creditors	-	(842,187)
Taxation	-	(20,700)
	-----	-----
	-	293,651
Goodwill	-	531,349
	-----	-----
	-	825,000
	=====	=====
Satisfied by:		
Cash	-	825,000
	=====	=====

NORSON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999

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 1999. No profit and loss account is presented for Norson Group Limited as provided by s230 of the Companies Act 1985.

Goodwill

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

Tangible fixed assets

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

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

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

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease 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 income as incurred. Further information on future commitments is given in note 21.

NORSON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1999

1 Accounting policies - continued**Stocks**

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

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

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

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

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

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

Pension costs

The company provides pensions for its employees through the Norson 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.

NORSON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1999

1 Accounting policies - continued**Pension costs - continued**

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

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

Further information on pension costs is provided in note 23.

Foreign currency

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

Deferred taxation

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

NORSON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999
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.

3 Directors and employees

	1999	1998
	£	£
Staff costs including directors' emoluments		
Wages and salaries	4,858,391	4,122,409
Social security costs	378,766	392,280
Pension costs	222,637	144,653
	<u>5,459,794</u>	<u>4,659,342</u>
	=====	=====
Average number employed including executive directors	Number	Number
Production	140	131
Sales and distribution	19	18
Administration	19	23
	<u>178</u>	<u>172</u>
	=====	=====
	£	£
Directors		
Directors' emoluments	268,978	329,162
Pension contributions	22,679	25,456
	<u>291,657</u>	<u>354,618</u>
	=====	=====
	£	£
Emoluments excluding pension scheme contributions		
Highest paid director	87,682	104,672
Pension contributions	8,419	7,440
	<u>96,101</u>	<u>112,112</u>
	=====	=====

The number of directors accruing benefits under the pension scheme during the year was 3 (1998 - 4).

NORSON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999,
4 Operating profit

	1999	1998
	£	£
Operating profit is stated after crediting:		
Profit on sale of tangible fixed assets	(8,476)	-
Amortisation of government grants	-	(945)
and after charging:		
Staff costs	5,459,794	4,659,342
Auditors' remuneration	18,000	15,000
Non audit fees	28,000	28,000
Operating leases		
Hire of plant and machinery	109,991	13,572
Hire of other assets	176,501	107,022
Amortisation of goodwill	107,497	100,856
Depreciation of tangible fixed assets		
- owned assets	83,369	213,735
- held under finance leases and hire purchase contracts	54,693	38,621
	=====	=====

5 Interest receivable

	1999	1998
	£	£
Bank interest	36,308	29,489
	=====	=====

6 Interest payable

	1999	1998
	£	£
Bank overdraft interest	74,468	36,801
Bank loan interest	17,482	30,587
Other interest	24,707	6,405
	=====	=====
	116,657	73,793
	=====	=====

7 Taxation

	1999	1998
	£	£
Corporation tax on profit on ordinary activities at 30% (1998 - 31%)	118,000	494,028
Deferred tax	-	(19,278)
Overprovision in prior years	(3,880)	(5,053)
	=====	=====
	114,120	469,697
	=====	=====

NORSON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999
8 Dividends

		1999	1998
		£	£
Paid :	Equity	-	130,500
	Non-equity	67,500	131,250
		<hr/>	<hr/>
		67,500	261,750
Proposed :	Equity	20,273	71,730
	Non-equity	67,500	-
		<hr/>	<hr/>
Total		155,273	333,480
		<hr/>	<hr/>

9 Parent company profit and loss account

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts.

10 Intangible fixed assets
Group
Goodwill
£
Cost

At 1 April 1998 and 31 March 1999

2,149,958

Amortisation

At 1 April 1998

148,065

Provided during the year

107,497

At 31 March 1999

255,562

Net book value

At 31 March 1999

1,894,396

At 31 March 1998

2,001,893

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

NORSON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS

**Deloitte
& Touche**

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YEAR ENDED 31 MARCH 1999

11 Tangible fixed assets

Group	Leasehold Buildings £	Plant & Machinery £	Total £
Cost			
At 1 April 1998	214,553	2,497,870	2,712,423
Additions	-	137,772	137,772
Disposals	-	(74,495)	(74,495)
At 31 March 1999	214,553	2,561,147	2,775,700
Depreciation			
At 1 April 1998	160,573	2,114,746	2,275,319
Charge for year	14,427	123,635	138,062
Disposals	-	(56,045)	(56,045)
At 31 March 1999	175,000	2,182,336	2,357,336
Net book amount			
At 31 March 1999	39,553	378,811	418,364
At 31 March 1998	53,980	383,124	437,104

The net book amount of fixed assets includes £124,841 (1998 - £120,240) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 4.

Company

	Plant & Machinery £
Cost	
Additions	51,136
Disposals	(29,500)
Transfers	207,664
At 31 March 1999	229,300
Depreciation	
Charge for year	27,664
Disposals	(11,050)
Transfers	123,335
At 31 March 1999	139,949
Net book amount	
At 31 March 1999	89,351

The net book amount of fixed assets include £68,812 in respect of assets held under finance leases and hire purchase contracts.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1999

12 Investments

Company	Subsidiary undertakings £
Cost	
At 1 April 1998	3,458,098
Transfer	(825,000)
	<hr/>
31 March 1999	2,633,098
	<hr/>

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

Name	Trade	Country of Incorporation
Norson Services Limited	Stocking and distribution of hydraulic components, the service and repair of hydraulic components and equipment, and the provision of pipework and industrial services.	Scotland
Norson Engineering Limited	Design, manufacture, installation and servicing of products for the oil and gas, marine and petrochemical markets.	Scotland

The transfer relates to the investment in Norson Hydraulic Services Limited. The ownership of which was transferred to Norson Services Limited on 1 April 1998. Norson Hydraulic Services Limited became dormant on this date.

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

13 Stocks

Group	1999 £	1998 £
Work in progress	214,822	334,437
Finished goods and goods for resale	242,198	181,051
	<hr/>	<hr/>
	457,020	515,488
	<hr/>	<hr/>
Long term contract balances consist of:		
Costs due to date less provision for losses	78,978	68,250
Less: applicable payments on account	(61,441)	(36,847)
	<hr/>	<hr/>
	17,537	31,403
	<hr/>	<hr/>

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

NORSON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999
14 Debtors

	1999		1998	
	Group	Company	Group	Company
	£	£	£	£
Trade debtors	4,436,623	-	4,192,896	-
Amounts recoverable on contracts	1,320,778	-	1,319,736	-
Other debtors	60,030	9,053	221,269	262,529
Prepayments and accrued income	81,598	7,795	100,735	-
Amounts owed by group undertakings	-	325,468	-	-
	<u>5,899,029</u>	<u>342,316</u>	<u>5,834,636</u>	<u>262,529</u>

Included in prepayments and accrued income is an amount of £18,050 (1998 - £18,050) which is due after more than one year.

The group has referred to arbitration certain disputes arising under a contract in respect of sums owed to the group. The group believes it has a contractual entitlement under this contract of £7.5 million. To date, the customer has paid a total of £5.5 million. The directors are confident of a satisfactory outcome to this matter, and that the values finally agreed will not be substantially at variance from those included in the financial statements. The directors have not disclosed the actual amount included within the financial statements as they believe it may prejudice the final outcome of the dispute. Until a settlement is reached it is not possible to estimate, with any degree of certainty, whether or not any adjustments are required to the figures included in the financial statements for turnover, profits, trade debtors and amounts recoverable on contracts.

15 Creditors: amounts falling due within one year

	1999		1998	
	Group	Company	Group	Company
	£	£	£	£
Bank loans and overdraft	3,775,923	274,866	1,795,427	112,500
Trade creditors	1,144,447	-	1,757,976	-
Payments received on account in respect of contracts	410,375	-	2,944,953	-
Corporation tax	62,922	1,425	514,860	1,000
Social security and other taxes	307,997	-	328,565	-
Other creditors	-	-	250,906	250,906
Accruals and deferred income	813,360	116,469	1,030,959	90,000
Obligations under finance leases and hire purchase contracts	40,958	21,496	59,119	-
Amounts owed to group undertaking	-	-	-	3,761,299
Proposed dividends	87,773	87,773	71,730	71,730
	<u>6,643,755</u>	<u>502,029</u>	<u>8,754,495</u>	<u>4,287,435</u>

The bank loans and overdraft are secured by a floating charge over the assets of the group.

Cross guarantees exist between the company and all of its subsidiaries for all sums due. At 31 March 1999 the group had net bank borrowings of £1,774,408.

NORSON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999
**16 Creditors: amounts falling due
after more than one year**

	1999		1998	
	Group	Company	Group	Company
	£	£	£	£
Bank loan	62,500	62,500	187,500	187,500
Deferred income	2,839	-	3,387	-
Pension scheme	83,434	83,434	86,966	-
Obligations under finance leases and hire purchase contracts	40,343	29,272	60,370	-
	189,116	175,206	338,223	187,500

Maturity of debt

	1999		1998	
	Group	Company	Group	Company
	£	£	£	£
Bank loans are repayable as follows:				
In one year or less, or on demand				
- see note 15	125,000	125,000	112,500	112,500
Between one and two years	62,500	62,500	125,000	125,000
Between two and five years	-	-	62,500	62,500
	187,500	187,500	300,000	300,000

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

	1999		1998	
	Group	Company	Group	Company
	£	£	£	£
These are repayable over varying periods by monthly instalments as follows:				
In the next year - see note 15	40,958	21,496	59,119	-
In second to fifth year	40,343	29,272	60,370	-
	81,301	50,768	119,489	-

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

NORSON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1999

17 Called up share capital

Group and Company	1999		1998	
	Number of shares	£	Number of shares	£
Authorised				
Equity				
Ordinary shares of £1 each	150,000	150,000	150,000	150,000
'A' ordinary shares of £1 each	285,000	285,000	285,000	285,000
Non-equity				
Cumulative preference shares of £1 each	1,800,000	1,800,000	1,800,000	1,800,000
	<u>2,235,000</u>	<u>2,235,000</u>	<u>2,235,000</u>	<u>2,235,000</u>
	=====	=====	=====	=====
Allotted called up and fully paid				
Equity				
Ordinary shares of £1 each	150,000	150,000	150,000	150,000
'A' ordinary shares of £1 each	285,000	285,000	285,000	285,000
Non-equity				
Cumulative preference shares of £1 each	1,800,000	1,800,000	1,800,000	1,800,000
	<u>2,235,000</u>	<u>2,235,000</u>	<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 commencing 31 March 1999.

At the date of signing the financial statements the first two tranches of the redemption of the preference shares have not taken place as the company does not have sufficient distributable reserves.

NORSON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1999

17 Called up share capital - continued**Preference shares -continued**

Winding up:

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

Voting rights:

The holders have no voting rights in normal circumstances.

'A' Ordinary shares

Dividend rights:

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

Winding up:

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

Voting rights:

The holders are entitled to one vote per share.

18 Profit and loss account

	Group £	Company £
At 1 April 1998	746,404	(47,399)
Profit for the year	103,532	73,724
Appropriation in respect of non-equity shareholders' funds	(19,416)	(19,416)
At 31 March 1999	830,520	6,909

19 Share premium account

	Group £	Company £
At 1 April 1998 and 31 March 1999	71,645	71,645

NORSON GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999
20 Other reserve

	Group £	Company £
At 1 April 1998	54,560	54,560
Transfer from profit and loss account reserve	19,416	19,416
	<hr/>	<hr/>
At 31 March 1999	73,976	73,976
	<hr/>	<hr/>

In previous years the appropriation in respect of non-equity shares was added to the profit and loss account reserve. During this year the directors have created another reserve which represents the accumulated appropriations in respect of non-equity shares. The comparative reserves have been changed to reflect this.

21 Reconciliation of movements in shareholders' funds

	1999		1998	
	Group £	Company £	Group £	Company £
Profit for the year	258,805	228,997	940,171	329,053
Less: Dividends payable	(155,273)	(155,273)	(333,480)	(333,480)
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	103,532	73,724	606,691	(4,427)
New issued shares	-	-	356,645	356,645
Opening shareholders' funds	3,107,609	2,313,806	2,144,273	1,961,588
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	3,211,141	2,387,530	3,107,609	2,313,806
	<hr/>	<hr/>	<hr/>	<hr/>

22 Guarantees and other financial commitments

Financial commitments under non-cancelable operating leases will result in the following payments falling due in the year to 31 March 2000:

	Land and Buildings £	Plant and other £
Expiring:		
Within 1 year	-	-
Between 2 and 5 years	48,000	13,417
Outwith 5 years	142,000	62,700
	<hr/>	<hr/>
	190,000	76,117
	<hr/>	<hr/>

NORSON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1999

23 Contingent liabilities

Group	1999 £	1998 £
Performance bonds and guarantees issued in the normal course of business	516,050	740,259

24 Pension costs

The pension charge of the group for the year was £222,637 (1998 - £144,653), made up of a regular cost of £172,016 (1998 - £129,355) and resulting in a variation from regular cost of £50,621 (1998 - £15,298).

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

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

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

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

An accrual of £83,434 (1998 - £86,966) is included within creditors falling due after more than one year, being the excess of the pension charge over contributions paid by the company.