



NORSE GROUP LIMITED

Annual Report & Financial Summary 2006/07



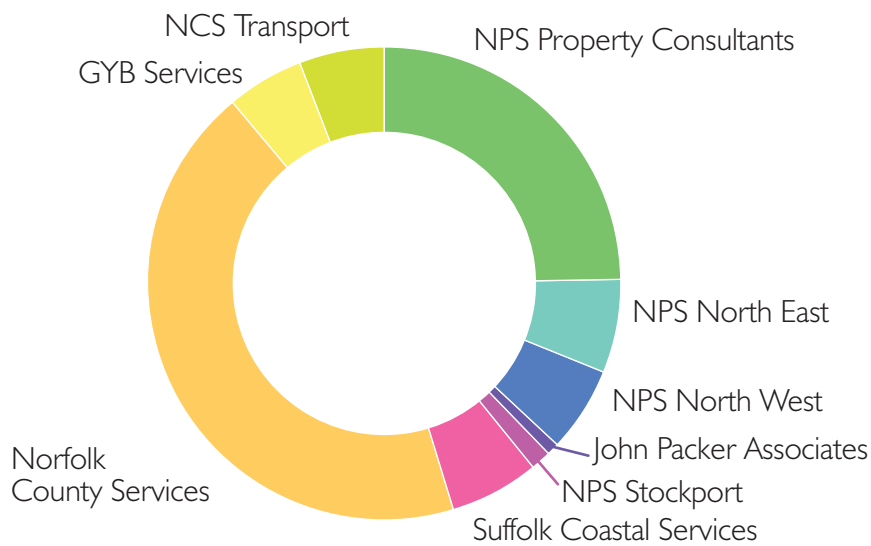
**Welcome to the first Annual Report of the Norse Group Limited**

The Norse Group was created in 2006 by acquiring 100% of the share capital of two existing companies, Norfolk County Services Ltd and NPS Property Consultants Ltd. Both these companies have subsidiaries, so in total the Norse Group currently comprises nine companies as illustrated below.

Norse aims to deliver high quality services to both the public and private sectors, throughout the United Kingdom. The size of the Norse Group enables us to bid for major contracts against national competition, increasing our credentials in our target markets, and increasing the range of services we are able to offer.

By using our shared back office services such as payroll and IT, the Norse companies can offer imaginative, cost-effective solutions to Government organisations, Local Authorities, Housing Associations, and many companies in the private sector.

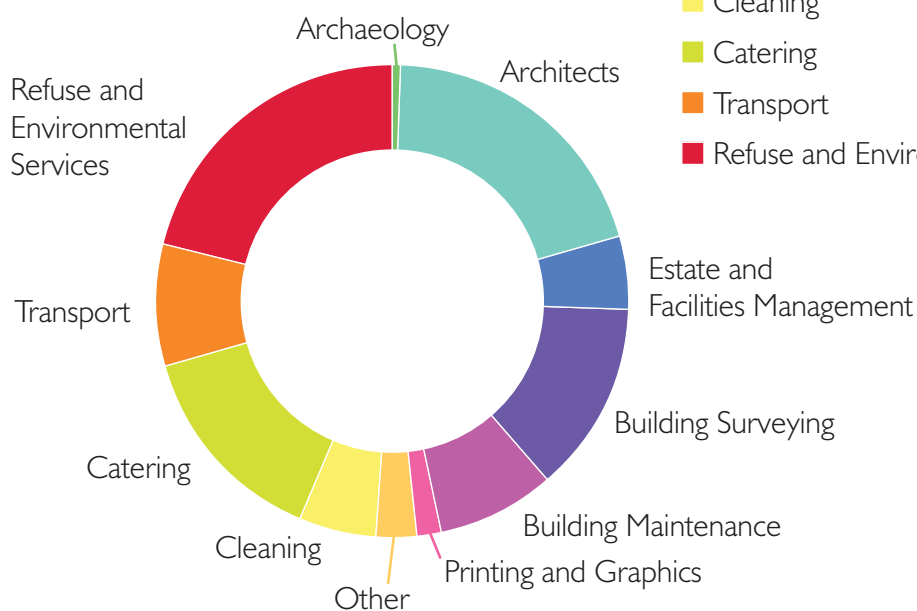
The strong trading history of the Norse companies, the assets of the organisation, and the diverse portfolio of work means that we are seen as the preferred option by a growing number of potential partners.



		£
Division of turnover contributed by each component of the Group	<ul style="list-style-type: none"> <li><span style="color: green;">■</span> NPS Property Consultants</li> <li><span style="color: teal;">■</span> NPS North East</li> <li><span style="color: blue;">■</span> NPS North West</li> <li><span style="color: darkblue;">■</span> John Packer Associates</li> <li><span style="color: pink;">■</span> NPS Stockport</li> <li><span style="color: magenta;">■</span> Suffolk Coastal Services</li> <li><span style="color: orange;">■</span> Norfolk County Services</li> <li><span style="color: yellow;">■</span> GYB Services</li> <li><span style="color: lightgreen;">■</span> NCS Transport</li> </ul>	<b>29,389,205</b> <b>7,482,195</b> <b>6,807,401</b> <b>224,699</b> <b>1,582,898</b> <b>7,282,991</b> <b>51,332,959</b> <b>6,157,948</b> <b>6,822,556</b>

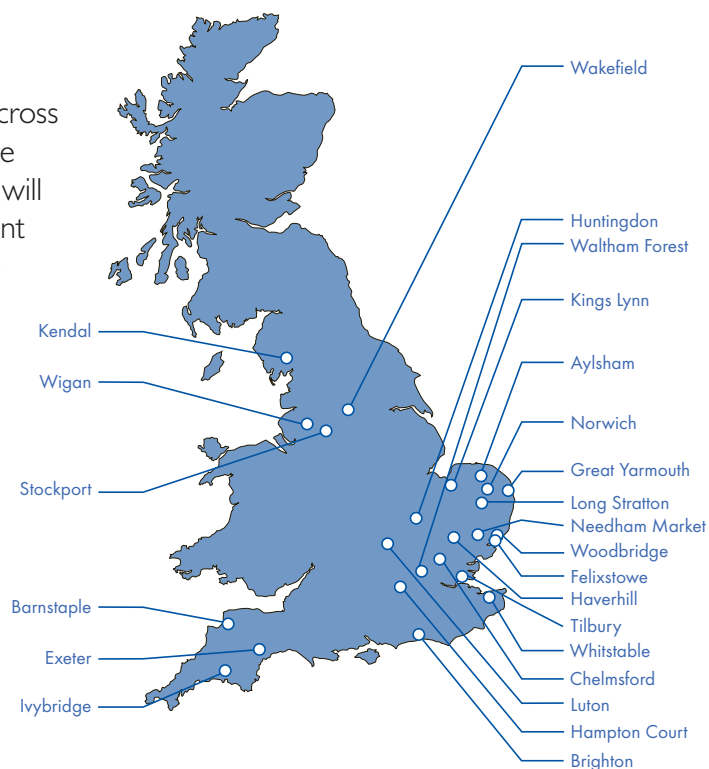
## Activities

The Group provides a wide range of services to a diverse customer base. The spread of activities and associated turnover is ►



	£ '000
Archaeology	943
Architects	23,335
Estate and Facilities Management	5,721
Building Surveying	15,343
Building Maintenance	9,412
Printing and Graphics	1,850
Other	3,522
Cleaning	6,026
Catering	16,511
Transport	9,747
Refuse and Environmental Services	24,672

Norse now operates from a growing number of locations across the UK, and our plans for future expansion mean our coverage will be extended still further. Current locations are illustrated here ►



## Chairman's Statement



### Overview

The creation of the Norse Group, bringing together two already successful Groups – NPS Property Consultants Ltd and Norfolk County Services Ltd – is an exciting new phase in the development of these companies. With our combined size and variety of services, we anticipate even more opportunities for growth, whether in the companies' individual disciplines, or in offering new, broader solutions for potential partner organisations.

The Group's unique and innovative approach to partnership working has led to rapid sustainable sales growth and expansion of our geographical base. Both NCS and NPS have many contracts, framework agreements, and partnerships, varying in length from 18 months to 15 years, giving us significant long term security.

Our ability to combine commercial experience and know-how with a public sector ethos of service and responsibility is regularly attracting enquiries from organisations keen to work with us.

### Our People

People are very much the heart of our business. The Norse Group had a workforce of 4,900 people on average during the year, and the total is now over 5,000. We could not have got to where we are without the expertise, energy and commitment of all our staff. We strive to ensure that opportunities for personal growth and progression are available to all employees, and that at all levels staff have the support and training they need.

### Benefiting our Communities

As a growing provider of services to public bodies and private sector organisations the Norse Group is conscious of its impact, both direct and indirect, on a huge number of individuals every day. As a key provider of services to the public sector, we are committed to benefit the communities in which we operate through improved service provision, support for local charities and good causes, employee volunteering, and staff development.

An important strand to our charitable programme has been our ongoing support for the Theatre Royal in Norwich and the Academy Trust, but I am delighted that we have been able to support many other causes with smaller donations and practical support. NCS and NPS are heavily involved with Business in the Community, with both companies receiving regional "Big Tick" Awards this year. NPS gained BITC recognition for the Build Norfolk project, supporting small construction businesses in Norfolk through providing both training and contacts to enable them to access more work. NCS went on to even higher levels, being given the National Example of Excellence award in the Skills for Life category for its ongoing Learning Lift Off project which has benefited hundreds of staff and their families. We have also received national recognition for our work leading a "Seeing is Believing" programme in Gt Yarmouth for Business Action on Homelessness.

## **Profitability**

Whilst we make significant investment in the community we also need to ensure that we continue to operate profitably, both to fund future expansion and to deliver returns to our Shareholders and strategic partners. In 2006/07 we were able to pay rebates and discounts totalling over £1m, and in addition to this we estimate the market moderation and cost reductions already delivered are worth over £3m per annum to Norfolk County Council alone.

The impact of Financial Reporting Standard 17 on our accounts this year has been disappointing, as we are required to report our pension liabilities at a particular moment in time. The company continues to comply fully with the payment recommendations made by our actuaries, and we aim to ensure the scheme is able to meet all liabilities in the short and long term. The Board is agreed that the underlying performance of the companies in the Group is excellent.

## **Service Quality**

The Norse Group is committed to providing high quality services to all our clients. We regularly monitor feedback from customers and undertake regular customer surveys in many parts of the business. We have expanded the number of areas with ISO9001:2000 accreditation and are committed to ensuring that all areas of our business meet this standard.

## **Future Prospects**

The Norse Group enters 2007/08 already looking forward to more growth. Our operations are performing well, and new opportunities are developing all the time. Already in 2007 we have seen major new partnerships with Devon County Council and the London Borough of Waltham Forest, and new contracts with the Port of Felixstowe, and Nordic Recycling at Tilbury. I believe the company is well placed and well structured to take advantage of those opportunities and we can look forward to another successful year in 2007/08.

**Paul Adams**  
**Chairman**

## Managing Director's Report



### Business Review

The formation of the Norse Group Ltd at the beginning of the financial year 2006-07 created a company which will be a major player in our home region of East Anglia, and a significant influence nationally. Both NPS Property Consultants Ltd and Norfolk County Services Ltd have already appeared individually in the list of the region's most important companies, and this combined Group will raise our profile still further.

Turnover for the year of £117m exceeded all our forecasts, and it is a credit to our structure and particularly our systems and support staff that this level of expansion has been managed without difficulty.

The financial accounts on the following pages include the effect of FRS17, which requires us to present our pension liabilities in a particular way. Where possible these have been shown separately, as it is the Board's opinion that our underlying operating performance is improving, and it is right to show these pension adjustments as exceptional items.

With the FRS17 adjustments excluded, the Group delivered an operating surplus before charitable donations and rebates to major customers of £2.6m.

After making charitable donations in the year of £296,188 and paying rebates and discounts of £1,080,000, the Group showed a profit of £1.2m.

### Operating Highlights

#### NPS Property Group

NPS Stockport Ltd, the result of a fifteen year partnership deal with Stockport Metropolitan Borough Council, commenced trading on 1 November 2006

NPS made its first commercial acquisition in November 2006, purchasing John Packer Associates (JPA) in Uckfield. JPA has an excellent reputation and a very strong client base, and its value to the Group will be evident in the coming years.

NAU Archaeology transferred into the company from Norfolk County Council at the start of 2006.

NPS North West Ltd established a new ten year partnership with South Lakeland District Council to provide asset management, design and maintenance services.

The Group has also had significant success in securing contracts with the Department for Children, Schools and Families (DCSF) for a range of services including design, technical advice and monitoring, Building Schools for the Future projects and the development of City Academies.

## Norfolk County Services Group

NCS turnover exceeded £70m for the first time.

The management and operation of the Community Equipment Service, which transferred from Norfolk Adult Social Services, should boost turnover by an estimated £16m over the next five years.

Traditional activities improved their returns, with Cleaning, Building Maintenance and Grounds Maintenance operations exceeding their targets.

NCS secured a contract to supply finance, payroll and HR services to the newly formed Great Yarmouth Sport and Leisure Trust, a first for the Group in selling support services to external customers.

## General Issues

Investment in expansion increased overhead costs, both through major investment in IT systems in NCS, and the upgrading of offices in the new partnerships in NPS. It is anticipated that the benefits in terms of increased productivity and improved returns will be seen over the next two years.

Workloads in NPS North West Ltd were lower than anticipated due to delays in receiving several large design commissions, which led to a loss for the year, reducing Group profitability by around £200,000. We are confident that the necessary action has been taken to rectify this situation. NCS Catering suffered because of the national fall in school meal take-up following the Jamie Oliver programmes in 2005. Turnover was £0.5m less than budget, reducing the overall profit of catering operations to 0.5% of turnover.

The large amount of Work in Progress at year-end depressed potential profits by around £1m, but should give us a sound start to 2007-08

The development of joint support services was encouraged, with shared payroll and IT services coming into being and working well.

## Community Activities

We are pleased to be able to continue developing our Corporate Social Responsibility strategy. Our involvement in community activities is practical as well as financial, though we were delighted to see both NCS and NPS appear in the Business in the Community Percent Club listing in the Guardian in November 2006. BITC will be developing their measurement of community involvement further in 2007, and we are confident that the Norse Group will figure strongly in any listing.

## Outlook

With contracts already in place and new enquiries continuing to come in we are confident of delivering turnover growth of 15% in the coming year. Performance continues to strengthen and we expect underlying profitability, pre FRS17, to grow as well.

Finally I would like to thank my fellow Directors, Members, Chief Officers and all the staff employed by the Norse Group for their support and commitment over the past twelve months, without whose efforts we would not have achieved these excellent results.

**Mike Britch**  
**Managing Director**

The following three pages contain extracts from the consolidated financial statements for the Norse Group Limited and its subsidiary companies for the period ended 31 January 2007.

These unaudited extracts have been prepared by the Norse Group from the full financial statements audited without qualification, by our external auditors Grant Thornton UK LLP.

These accounts have been prepared in accordance with the Companies Act 1985 and generally accepted accounting principles for company reporting. The full financial statements have been approved by the Board of Directors and the Shareholder's representative.

Copies of the full financial statements are filed at Companies House and are available from the company on request.

## Group profit and loss account

	2007 £
<b>Group turnover</b>	<b>117,082,852</b>
Cost of sales - recurring	(97,954,091)
- exceptional	(2,541,000)
	<b>(100,495,091)</b>
Gross Profit	<b>16,587,761</b>
Other operating charges	(18,319,495)
Other operating income	236,651
	<b>(1,495,083)</b>
<b>Operating loss</b>	<b>(1,495,083)</b>
Interest receivable and similar income	891,088
Interest payable and similar charges	(64,400)
	<b>(668,395)</b>
<b>Loss on ordinary activities before taxation</b>	<b>(668,395)</b>
Tax on loss on ordinary activities	117,581
	<b>(550,814)</b>
<b>Loss on ordinary activities after taxation</b>	<b>(550,814)</b>
Minority interests	(242)
	<b>(551,056)</b>
<b>Loss attributable to members of the parent company</b>	<b>(551,056)</b>
<b>Loss for the financial year</b>	<b>(551,056)</b>

All of the activities of the Group are classed as continuing.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

The accompanying accounting policies and notes form part of these financial statements.

## Group balance sheet

	2007 £
<b>Fixed assets</b>	
Intangible assets	1,483,672
Tangible assets	7,226,684
	8,710,356
<b>Current assets</b>	
Stocks	1,458,875
Debtors	24,268,352
Cash at bank and in hand	4,066,593
	29,793,820
<b>Creditors: amounts falling due within one year</b>	(23,786,234)
<b>Net current assets</b>	6,007,586
<b>Total assets less current liabilities</b>	14,717,942
<b>Creditors: amounts due after more than one year</b>	(13,656)
<b>Net assets excluding pension liability</b>	14,704,286
Defined benefit pension scheme liability	(9,255,400)
<b>Net assets including pension liability</b>	5,448,886
<b>Minority interests</b>	(244)
	5,448,642
<b>Capital and reserves</b>	
Called-up equity share capital	8,793,260
Revaluation reserve	854,300
Profit and loss account	(4,198,918)
<b>Shareholder's funds</b>	5,448,642

These financial statements were approved by the Directors on 25 June 2007 and are signed on their behalf by **M L Britch Managing Director**

The accompanying accounting policies and notes form part of these financial statements.

## Group cash flow statement

	2007 £
<b>Net cash inflow from operating activities</b>	<b>4,016,782</b>
<b>Returns on investments and servicing of finance</b>	<b>223,688</b>
<b>Taxation</b>	<b>(686,101)</b>
<b>Capital expenditure and financial investment</b>	<b>(2,792,936)</b>
<b>Acquisitions and disposals</b>	
Acquisition of shares in Group undertakings	<b>(1,469,891)</b>
<b>Net cash outflow from acquisitions and disposals</b>	<b>(1,469,891)</b>
<b>Cash outflow before financing</b>	<b>(708,458)</b>
<b>Financing</b>	<b>(147,293)</b>
<b>Decrease in cash</b>	<b>(855,751)</b>

## Statement of total recognised gains and losses

	2007 £
Loss for the financial year attributable to the Shareholder of the Parent Company	<b>(551,056)</b>
Unrealised profit on revaluation of certain fixed assets	<b>854,300</b>
	<b>303,244</b>
Actuarial gain in respect of defined benefit pension scheme	<b>16,544,000</b>
Deferred tax in respect of defined benefit pension scheme	<b>(4,963,200)</b>
<b>Total gains and losses recognised for the year</b>	<b>11,884,044</b>

## Community Involvement

Both NPS and NCS figured strongly in the “Per Cent Club” – a nationally published register of companies who donate a percentage of their profits to charity.

**Top** Norse Group staff taking part in a volunteering day, clearing scrubland to expand the reed beds at the Hawk and Owl Trust reserve at Sculthorpe.

**Middle** Business in the Community recognised both NCS and NPS.  
Photo: T Williams from Kings College

**Bottom** The NCS Learning Lift Off team receiving the BITC national example of excellence award from HRH The Prince of Wales and former US Vice President Al Gore at the Albert Hall in July.



Business in  
Community % 2006



AWARDS  
2006/7

Date	Award	Project	Achievement
2006	South Norfolk Design Awards	Hethel Engineering Centre	Commendation
2007	Local Authority Building Control (East Anglia) Built-in Quality Awards	Norwich, New Bus Station	Best Structural Innovation
2007	Local Authority Building Control (East Anglia) Built-in Quality Awards	Norwich, New Bus Station	Best Partnership with Designer/Architect
2007	Business in the Community, East of England Regional Leadership Team	NPS Group Build Norfolk Programme	Most Innovative New Programme