

**Axsia Limited**

**Directors' report and financial  
statements**

Registered number 3047122

Year ended 31 December 2002



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

### Principal activities and review of the business

The company's activities in the year consisted of the provision of management services to its subsidiary undertakings.

### Results and dividends

The loss for the year after taxation amounted to £71,000 (*2001 profit of £93,000*) An ordinary dividend of £1,000,000 was paid in the year (*2001: £686,000*).

### Directors and directors' interests

The directors who held office during the period together with subsequent changes were as follows:

P Michaluk

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company.

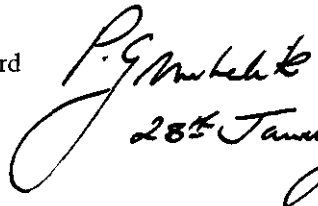
Interests of the directors in the shares of the parent company are disclosed in its financial statements.

### Auditors

In accordance with section 384 of the Companies Act 1985 a resolution for the reappointment of KPMG LLP as the auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

P Michaluk  
Director



28<sup>th</sup> January 2004

Axsia House  
Waterwells Business Park  
Gloucester

## Statement of directors' responsibilities

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 of the profit or loss 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;
- 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 company 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



100 Temple Street  
Bristol  
BS1 6AG  
United Kingdom

## **Report of the independent auditors to the members of Axsia Limited**

We have audited the financial statements on pages 4 to 10.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 is not disclosed.

### **Basis of audit 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 company's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG LLP**  
Chartered Accountants  
Registered Auditor

KPMG LLP

28 January 2004

**Profit and loss account**  
*for the year ended 31 December 2002*

	<i>Note</i>	<b>2002</b> <b>£000</b>	2001 £000
<b>Turnover</b>		-	-
Cost of sales		-	-
		<hr/>	<hr/>
<b>Gross profit</b>		-	-
Administrative expenses		(7)	(1)
Other operating income – management charges		-	57
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>		(7)	56
Interest payable and similar charges	3	(94)	(17)
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>		(101)	39
Tax on (loss)/profit on ordinary activities	4	30	54
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities after taxation</b>		(71)	93
Dividends	5	(1,000)	(686)
		<hr/>	<hr/>
<b>Retained loss for the financial year</b>	10	(1,071)	(593)
		<hr/> <hr/>	<hr/> <hr/>

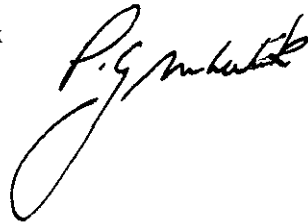
There were no recognised gains or losses in the period other than those shown above which arose from continuing operations.

**Balance sheet**  
*at 31 December 2002*

	<i>Note</i>	<b>2002 £000</b>	<b>2001 £000</b>	<b>2001 £000</b>	<b>£000</b>
<b>Fixed assets</b>					
Investments	6		11,378		11,378
<b>Current assets</b>					
Debtors	7	32	-		
		<u>32</u>	<u>-</u>		
<b>Creditors: amounts falling due within one year</b>	8	(3,136)	(2,033)		
<b>Net current liabilities</b>			(3,104)		(2,033)
<b>Total assets less current liabilities</b>			<u>8,274</u>		<u>9,345</u>
<b>Net assets</b>			<u>8,274</u>		<u>9,345</u>
<b>Capital and reserves</b>					
Called up share capital	9	7,178			7,178
Share premium account	10	692			692
Profit and loss account	10	404			1,475
<b>Shareholders' funds</b>			<u>8,274</u>		<u>9,345</u>
<b>Shareholders' funds:</b>					
Equity shareholders funds			1,104		2,175
Non-equity shareholders funds			7,170		7,170
			<u>8,274</u>		<u>9,938</u>

These financial statements were approved by the board of directors on 28/01/04 and were signed on its behalf by:

**Peter Michaluk**  
Director



## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### ***Basis of preparation***

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

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Axsia Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of the UK registered ultimate parent company Axsia Holdings Limited, within which this company is included, can be obtained from Axsia House, Waterwells Business Park, Gloucester.

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The accounts of overseas subsidiary undertakings are translated at the rate of ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves.

#### ***Post-retirement benefits***

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

#### ***Research and development expenditure***

Expenditure on research and development is written off against profits in the year in which it is incurred.

#### ***Taxation***

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.



## Notes (continued)

### 2 Staff numbers and costs

The company had no employees in either year.

### 3 Interest payable and similar charges

	2002 £000	2001 £000
On bank loans and overdrafts	-	17
Group interest	94	-
	<hr/> 94	<hr/> 17

### 4 Taxation

	2002 £000	2001 £000
<i>UK corporation tax</i>		
Adjustments in respect of prior periods	30	54
	<hr/> 2002 £000	<hr/> 2001 £000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(101)	39
(Loss)/profit on ordinary activities at 30%	(30)	13
<i>Effects of:</i>		
Loss utilisation	30	(13)
	<hr/> -	<hr/> -
Current tax charge for year	<hr/> -	<hr/> -

## Notes (continued)

### 5 Dividends and other appropriations

	2002 £000	2001 £000
Ordinary shares:		
Final dividend paid	1,000	686
	<u>          </u>	<u>          </u>

### 6 Investments

	Shares in group Companies £000
Cost and net book value	
At beginning and end of year	11,378
	<u>          </u>

Details of the investments in which the company holds more than 20% of the nominal value of any class of share capital are as follows:

Subsidiary undertakings	Country of incorporation	Holdi	Proportion of voting rights held	Nature of business
Axsia Serck Baker Limited	United Kingdom	Ordinary	100%	Process engineering
		Sha		
Axsia Howmar Limited	United Kingdom	Ordinary	100%	Process instrumentation
		Sha		
Axsai Serck Baker Inc.	United States	Ordinary	100%	Process engineering
		Sha		
Serck Baker A/S	Norway	Ordinary	100%	Process engineering
		Sha		
Richard Mozley Limited	United Kingdom	Ordinary	100%	Process engineering
		sha		
<b>Associated Undertaking</b>				
White tiger Joint Venture	Russia	Ordinary	50%	Process engineering
		sha		

### 7 Debtors

	2002 £000	2001 £000
Amounts owed by subsidiary undertakings	5	-
Other debtors – corporation tax	27	-
	<u>          </u>	<u>          </u>
	32	-
	<u>          </u>	<u>          </u>

All debtors are due within one year.

## Notes (continued)

### 8 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Amounts owed to subsidiary undertakings	-	1,329
Amounts owed to parent undertaking	3,136	686
Other creditors	-	18
	<u>3,136</u>	<u>2,033</u>

### 9 Called up share capital

	2002 No.	2001 No.	2002 £000	2001 £000
Authorised:				
Ordinary shares of 1p each	800,000	800,000	8	8
Preference shares of £1 each	7,170,000	7,170,000	7,170	7,170
	<u>7,970,000</u>	<u>7,970,000</u>	<u>7,178</u>	<u>7,178</u>
Allotted, called up and fully paid:				
Ordinary shares of 1p each	800,000	800,000	8	8
Preference shares of £1 each	7,170,000	7,170,000	7,170	7,170
	<u>7,970,000</u>	<u>7,970,000</u>	<u>7,178</u>	<u>7,178</u>

The ordinary shares all rank *pari passu* and carry similar rights as to interest in the income and capital. The preference shares rank before the ordinary shares, are cumulative and carry a coupon rate of 12%, payable half yearly in arrears on 31 March and 30 September. The dividend rights are cumulative.

The preference shares carry no voting rights at meetings unless any sum due in respect of the preference shares is not paid is not paid on the due date, in which event each preference shareholder will be entitled to one vote on a show of hands and one vote per share on a poll.

If any amount due in respect of the preference shares remains unpaid for greater than 6 months the preference shareholders have the right to convene a general meeting of the company.

The preference shares were redeemable in full on 31 December 2001. The holders of the preference shares have waived their right to redemption and dividends.

**Notes (continued)**

**10 Share premium and reserves**

	Share premium account £000	Profit and loss account £000
At beginning of year	692	1,475
Retained loss for the year	-	(1,071)
	<hr/>	<hr/>
<b>At end of year</b>	<b>692</b>	<b>404</b>
	<hr/> <hr/>	<hr/> <hr/>

**11 Pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £nil (2000 :£nil).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

**12 Related party disclosures**

The company is owned by Axsia Group Limited which in turn is owned by Axsia Holdings Limited which prepares consolidated accounts. The ultimate controlling party is NATCO Inc. The company has, pursuant to FRS 8 "Related Party Disclosures", not included details of transactions with other companies which are members of Axsia Holdings Limited. There are no other related party transactions.

**13 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of NATCO Inc, incorporated in the USA.

The largest group in which the results of the company are consolidated is that headed by NATCO Inc. The consolidated accounts of this company are available to the public and may be obtained from Brookhollow Central 111, 2950 North Loop West, 7<sup>th</sup> Floor, Houston, Texas 77092, USA.