

Axsia Limited

(formerly TGE Group Limited)

Report and Accounts

31 December 1998



Axsia Limited
(formerly TGE Group Limited)

Registered No. 3047122

DIRECTORS

J A Cope
J K L McBride
T Twigger
G Wrigley (Chairman)

SECRETARY

M Jackson

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

BANKERS

National Westminster Bank Plc
City of London Office
21 Lombard Street
London EC1A 2DY

SOLICITORS

Lovell White Durrant
65 Holborn Viaduct
London EC1A 2DY

REGISTERED OFFICE

61 Arthur Road
Wimbledon
London SW19 7DN

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1998.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £513,000 (1997 - £1,248,000). The company declared and paid ordinary dividends of £900,000 (1997 - £nil) as part of a group reorganisation during the year. Prior to the reorganisation, the company declared and paid preference dividends of £215,000 (1997 - £287,000). Subsequent to the reorganisation, which resulted in the company becoming a wholly owned subsidiary, preference dividends amounting to £645,000 have been declared.

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. The group of companies of which the company was the ultimate parent undertaking in 1997 was reorganised in 1998 and the company became a wholly owned subsidiary of Axsia Group Limited (formerly 267th Shelf Investment Company Limited).

On 1 May 1998 the company changed its name from TGE Group Limited to Axsia Limited.

DIRECTORS AND THEIR INTERESTS

The directors during the year and their interests in the share capital of the company (all of which were beneficially held) were as follows:

	<i>As at 31 December 1998</i>	<i>As at 1 January 1998</i>
	<i>Ordinary shares</i>	<i>Ordinary shares</i>
J A Cope	-	80,000
J K L McBride	-	80,000
T Twigger	-	-
G Wrigley	-	-

The interests of the directors in the share capital of the company's parent undertaking (all of which were beneficially held) at 31 December 1998 were as follows:

	<i>As at 31 December 1998 Ordinary shares</i>
J A Cope	80,000
J K L McBride	80,000
T Twigger	-
G Wrigley	-

During the year the company purchased and maintained liability insurance for its directors and officers as permitted by section 310(3) of the Companies Act 1985.

DIRECTORS' REPORT

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.


A group-wide programme, designed to address the impact of the Year 2000 on our business, has been commissioned by the Board and is under way. Resources have been allocated and the Board receives regular reports on progress.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved. The total cost of modifications to our computer hardware and software, as yet, unknown but is not expected to have a material financial effect on future accounts.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of its profit or loss for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

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 accounts 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.

REPORT OF THE AUDITORS
to the members of Axsia Limited
(formerly TGE Group Limited)

We have audited the accounts on pages 6 to 14, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

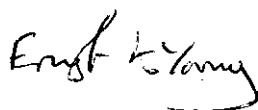
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

4 August 1999

Axsia Limited
(formerly TGE Group Limited)

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1998

	<i>Notes</i>	<i>1998</i> <i>£000</i>	<i>1997</i> <i>£000</i>
TURNOVER		-	-
Cost of sales		-	-
		<hr/>	<hr/>
GROSS PROFIT		-	-
		<hr/>	<hr/>
Administrative expenses		(515)	(687)
Other operating income		513	570
Debt issue costs written off		-	(202)
Income from subsidiary undertakings		700	1,671
		<hr/>	<hr/>
OPERATING PROFIT	2	698	1,352
		<hr/>	<hr/>
Interest received	5	179	96
Interest and similar charges	6	(316)	(300)
		<hr/>	<hr/>
		(137)	(204)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		561	1,148
Tax on profit on ordinary activities	7	(48)	100
		<hr/>	<hr/>
PROFIT FOR THE YEAR		513	1,248
Dividends	8	(1,760)	(287)
		<hr/>	<hr/>
RETAINED (LOSS)/PROFIT FOR THE YEAR		(1,247)	961
		<hr/>	<hr/>

All activities relate to continuing operations.

There were no recognised gains or losses other than those shown above.

Axsia Limited
(formerly TGE Group Limited)

BALANCE SHEET
at 31 December 1998

	<i>Notes</i>	<i>1998 £000</i>	<i>1997 £000</i>
FIXED ASSETS			
Tangible assets	9	4	8
Investments	10	11,228	12,999
		<u>11,232</u>	<u>13,007</u>
CURRENT ASSETS			
Debtors	11	2,368	4,217
		<u>2,368</u>	<u>4,217</u>
CREDITORS: amounts falling due within one year	12	(5,420)	(2,166)
		<u>(3,052)</u>	<u>2,051</u>
NET (LIABILITIES)/CURRENT ASSETS			
		<u>8,180</u>	<u>15,058</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year			
Loans		-	(5,631)
		<u>8,180</u>	<u>9,427</u>
CAPITAL AND RESERVES			
Called up share capital	15	7,178	7,178
Share premium account	15	692	692
Profit and loss account	15	310	1,557
		<u>8,180</u>	<u>9,427</u>
Shareholders' funds:			
Equity shareholder funds		365	2,185
Non-equity shareholders funds		7,815	7,242
		<u>8,180</u>	<u>9,427</u>

 Director

4 August 1999

NOTES TO THE ACCOUNTS
at 31 December 1998

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention, and in accordance with applicable accounting standards.

The company is exempt from preparing group accounts under section 228(2) Companies Act 1985. Accordingly, these accounts present the results of the company only and do not include the results of any of its subsidiary undertakings.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Office equipment	20%
Computer equipment	20%

The carrying values of fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Foreign currencies

Transactions in foreign currencies are translated into sterling at rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into sterling at rates of exchange ruling at that date. These translation differences are taken to the profit and loss account in the year in which they arise.

NOTES TO THE ACCOUNTS
at 31 December 1998

1. ACCOUNTING POLICIES (continued)

Research and development costs

Research and development expenditure is charged to the profit and loss account as it is incurred.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. OPERATING PROFIT

This is stated after charging:

	1998 £000	1997 £000
Rent payable	15	15
Depreciation of tangible fixed assets	4	4
Auditors' remuneration - audit services	2	2
	<u> </u>	<u> </u>

3. DIRECTORS' EMOLUMENTS

	1998 £000	1997 £000
Emoluments	140	280
	<u> </u>	<u> </u>

Total payments made to Thornwick Limited, a company in which J A Cope has a controlling interest, were £81,660 (1997 - £81,660). The amount included J A Cope's fees as a director.

The amounts in respect of the highest paid directors are as follows:

	1998 £000	1997 £000
Emoluments	65	130
	<u> </u>	<u> </u>

4. STAFF COSTS

	1998 £000	1997 £000
Wages and salaries	167	295
Social security costs	17	15
	<u> </u>	<u> </u>
	184	310
	<u> </u>	<u> </u>

	1998 No.	1997 No.
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The monthly average number of employees during the year was as follows:

Administration	3	3
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
at 31 December 1998

5. INTEREST RECEIVED

	1998 £000	1997 £000
From group companies	134	78
Bank	45	18
	<u>179</u>	<u>96</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £000	1997 £000
Intercompany	-	44
Bank loans and overdrafts	246	46
Other loans	70	210
	<u>316</u>	<u>300</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £000	1997 £000
UK corporation tax	-	100
Corporation tax underprovided in previous years	(48)	-
	<u>(48)</u>	<u>100</u>

8. DIVIDENDS

	1998 £000	1997 £000
Equity dividends on ordinary shares:		
Paid	900	-
Non equity dividends on preference shares:		
Paid	215	215
Accrued	645	72
	<u>1,760</u>	<u>287</u>

As part of the group reorganisation the company declared and paid an ordinary dividend of £900,000 on 21 April 1998. The company also declared a dividend in specie of \$100 on 21 April 1998 which was satisfied by the transfer of the entire share capital of TG Group Inc. to Axsia Group Limited.

NOTES TO THE ACCOUNTS
at 31 December 1998

9. TANGIBLE FIXED ASSETS

	<i>Fixtures and fittings £000</i>
Cost:	
At 1 January 1998	18
Additions	-
At 31 December 1998	18
Depreciation:	
At 1 January 1998	(10)
Provided during the year	(4)
At 31 December 1998	(14)
Net book value:	
At 31 December 1998	4
At 1 January 1998	8

10. INVESTMENTS

	<i>£000</i>
At 1 January 1998	12,999
Additions	1,229
Disposals	(3,000)
At 31 December 1998	11,228

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:

<i>Subsidiary undertakings</i>	<i>Country of registration (or incorporation) and operation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Axsia Serck Baker Limited (formerly Serck Baker Limited)	England and Wales	Ordinary shares	100%	Process Engineering
Axsia Howmar Limited (formerly Howmar International Limited)	England and Wales	Ordinary shares	100%	Process Instrumentation
Axsia Serck Baker Inc. (formerly Serck Baker Inc.)	United States	Ordinary shares	100%	Process Engineering
Serck Baker A/S *	Norway	Ordinary shares	100%	Process Engineering
<i>Associated Undertaking</i>				
White Tiger Joint Venture*	Russia	Joint Venture	50%	Process Engineering

* held by a subsidiary undertaking

NOTES TO THE ACCOUNTS
at 31 December 1998

11. DEBTORS

	1998 £000	1997 £000
Trade debtors		
Amounts owed by subsidiary undertakings	2,254	2,557
Other debtors	12	-
Prepayments and accrued income	7	-
Dividends receivable from subsidiary undertakings	-	1,482
	<u>2,273</u>	<u>4,039</u>
Amounts falling due after more than one year:		
Tax recoverable	23	178
ACT debtor recoverable	72	-
	<u>2,368</u>	<u>4,217</u>

12. CREDITORS: amounts falling due within one year

	1998 £000	1997 £000
Bank loans and overdrafts	2,390	1,676
Trade creditors	47	-
Amounts owed to subsidiary undertakings	2,135	-
Other creditors	21	59
Accruals	827	431
	<u>5,420</u>	<u>2,166</u>

NOTES TO THE ACCOUNTS
at 31 December 1998

13. LOANS

	1998 £000	1997 £000
Loan note		
Bank loans	-	3,000
Amounts due to subsidiary undertakings	-	2,631
	<u>-</u>	<u>5,631</u>

All bank loans and overdrafts are wholly repayable within 5 years. The bank loans are secured by fixed charges over the group's properties and by a floating charge over the group's other assets.

14. SHARE CAPITAL

	1998 No.	1997 No.	1998 £000	1997 £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 4% from date of issue to 31 December 1998 and a coupon rate of 12% thereafter, 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 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 are redeemable in full on 3 December 2001.

NOTES TO THE ACCOUNTS
at 31 December 1998

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
Balance at 1 January 1998	7,178	692	1,557	9,427
Profit for the year	-	-	513	513
Dividends	-	-	(1,760)	(1,760)
Balance at 31 December 1998	<u>7,178</u>	<u>692</u>	<u>310</u>	<u>8,180</u>

16. CAPITAL COMMITMENTS

	<i>1998 £000</i>	<i>1997 £000</i>
Contracted for but not provided	-	-
Authorised but not yet contracted	-	-

17. RELATED PARTY TRANSACTIONS

As the company is a wholly owned subsidiary undertaking of Axsia Group Limited which prepares published consolidated accounts, the company has, pursuant to FRS 8 "Related Party Disclosures", not included details of transactions with other companies which are members of Axsia Group Limited. There are no other related party transactions.

18. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Axsia Group Limited. The smallest and largest group of undertakings in which the results of the company are consolidated is that of Axsia Group Limited. The consolidated accounts of this company are available from the registered office at 61 Arthur Road, London SW19 7DN.