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Axsia Limited

Report and Accounts

31 December 1999



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COMPANIES HOUSE

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Axsia 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 1999.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £1,859,000 (1998 - profit £513,000). The company declared and paid ordinary dividends of £nil (1998 - £900,000) during the year. The company declared and paid preference dividends of £860,000 (1998 - £860,000).

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.

DIRECTORS AND THEIR INTERESTS

None of the directors during the year had any interests in the share capital of the company.

The interests of the directors in the share capital of the company's parent undertaking (all of which were beneficially held) at 31 December 1999 were as follows:

	<i>As at 31 December 1999</i>	<i>As at 31 December 1998</i>
	<i>"A" Ordinary shares</i>	<i>"A" Ordinary shares</i>
J A Cope	80,000	80,000
J K L McBride	80,000	80,000
T Twigger		-
G Wrigley		-

YEAR 2000 COMPLIANCE

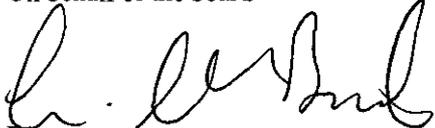
As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex 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.

Since 31 December 1999, the company has not experienced any adverse effects as a result of the year 2000 issue. The company is continuing to monitor its computer systems and any additional costs are not expected to be significant.

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

We have audited the accounts on pages 5 to 12, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

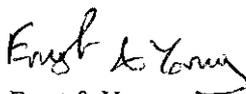
Basis of opinion

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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

31 March 2000

Axsia Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1999

	<i>Notes</i>	<i>1999</i> £000	<i>1998</i> £000
TURNOVER		-	-
Cost of sales		-	-
GROSS PROFIT		-	-
Administrative expenses		(15)	(515)
Other operating income		-	513
Debt issue costs written off		-	-
Income from subsidiary undertakings		-	700
OPERATING (LOSS)/ PROFIT	2	(15)	698
Interest received	5	155	179
Dividend income		1,960	-
Interest and similar charges	6	(241)	(316)
		1,874	(137)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,859	561
Tax on profit on ordinary activities	7	-	(48)
PROFIT FOR THE YEAR		1,859	513
Dividends	8	(860)	(1,760)
RETAINED PROFIT/(LOSS) FOR THE YEAR		999	(1,247)

All activities relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>1999</i> £000	<i>1998</i> £000
Profit for the year	1,859	513
Exchange differences	7	-
Total recognised gains for the year	1,866	513

Axsia Limited

BALANCE SHEET at 31 December 1999

	<i>Notes</i>	<i>1999</i> £000	<i>1998</i> £000
FIXED ASSETS			
Tangible assets	9	-	4
Investments	10	11,228	11,228
		<u>11,228</u>	<u>11,232</u>
CURRENT ASSETS			
Debtors	11	2,336	2,368
Cash		154	-
		<u>2,490</u>	<u>2,368</u>
CREDITORS: amounts falling due within one year	12	<u>(4,532)</u>	<u>(5,420)</u>
NET CURRENT LIABILITIES		<u>(2,042)</u>	<u>(3,052)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,186</u>	<u>8,180</u>
CAPITAL AND RESERVES			
Called up share capital	13	7,178	7,178
Share premium account	14	692	692
Profit and loss account	14	1,316	310
		<u>9,186</u>	<u>8,180</u>
Shareholders' funds:			
Equity shareholder funds		2,016	1,010
Non-equity shareholders funds		7,170	7,170
		<u>9,186</u>	<u>8,180</u>



Director

NOTES TO THE ACCOUNTS
at 31 December 1999

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.

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

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.

Axsia Limited

NOTES TO THE ACCOUNTS at 31 December 1999

2. OPERATING (LOSS)/PROFIT

This is stated after charging:

	<i>1999</i> £000	<i>1998</i> £000
Rent payable	-	15
Depreciation of tangible fixed assets	4	4
Auditors' remuneration - audit services	2	2
	<u> </u>	<u> </u>

3. DIRECTORS' EMOLUMENTS

	<i>1999</i> £000	<i>1998</i> £000
Emoluments	-	140
	<u> </u>	<u> </u>

Total payments made to Thornwick Limited, a company in which J A Cope has a controlling interest, were £nil (1998 - £81,660). The amount included J A Cope's fees as a director.

4. STAFF COSTS

	<i>1999</i> £000	<i>1998</i> £000
Wages and salaries	-	167
Social security costs	-	17
	<u> </u>	<u> </u>
	-	184
	<u> </u>	<u> </u>

	<i>1999</i> No.	<i>1998</i> No.
The monthly average number of employees during the year was as follows:		
Administration	-	3
	<u> </u>	<u> </u>

5. INTEREST RECEIVED

	<i>1999</i> £000	<i>1998</i> £000
From group companies	123	134
Bank	32	45
	<u> </u>	<u> </u>
	155	179
	<u> </u>	<u> </u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>1999</i> £000	<i>1998</i> £000
Intercompany	54	-
Bank loans and overdrafts	187	246
Other loans	-	70
	<u> </u>	<u> </u>
	241	316
	<u> </u>	<u> </u>

Axsia Limited

NOTES TO THE ACCOUNTS
at 31 December 1999

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>1999</i> £000	<i>1998</i> £000
Corporation tax underprovided in previous years	-	(48)

8. DIVIDENDS

	<i>1999</i> £000	<i>1998</i> £000
Equity dividends on ordinary shares:		
Paid	-	900
Non equity dividends on preference shares:		
Paid	860	215
Accrued	-	645
	<u>860</u>	<u>1,760</u>

9. TANGIBLE FIXED ASSETS

	<i>Fixtures and fittings</i> £000
Cost:	
At 1 January 1999	18
Additions	-
At 31 December 1999	<u>18</u>
Depreciation:	
At 1 January 1999	14
Provided during the year	4
At 31 December 1999	<u>18</u>
Net book value:	
At 31 December 1999	-
At 1 January 1999	<u>4</u>

Axsia Limited

NOTES TO THE ACCOUNTS at 31 December 1999

10. INVESTMENTS

£000

At 1 January 1999 and 31 December 1999

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 incorporation if not Great Britain</i>	<i>Proportion of voting rights and Holding shares held</i>	<i>Nature of business</i>
Axsia Serck Baker Limited		Ordinary shares 100%	Process Engineering
Axsia Howmar Limited		Ordinary shares 100%	Process Instrumentation
Axsia 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 Axsia Serck Baker Limited

11. DEBTORS

	<i>1999 £000</i>	<i>1998 £000</i>
Trade debtors		
Amounts owed by subsidiary undertakings	55	2,254
Other debtors	-	12
Prepayments and accrued income	-	7
Dividends receivable from subsidiary undertakings	1,960	-
	<u>2,015</u>	<u>2,273</u>
Amounts falling due after more than one year:		
Tax recoverable	249	23
ACT debtor recoverable	72	72
	<u>2,336</u>	<u>2,368</u>

Axsia Limited

NOTES TO THE ACCOUNTS at 31 December 1999

12. CREDITORS: amounts falling due within one year

	<i>1999</i> £000	<i>1998</i> £000
Bank loans and overdrafts	-	2,390
Trade creditors	-	47
Amounts owed to subsidiary undertakings	4,247	2,135
Other creditors	235	21
Accruals	50	827
	<u>4,532</u>	<u>5,420</u>

13. SHARE CAPITAL

	<i>1999</i> <i>No.</i>	<i>1998</i> <i>No.</i>	<i>1999</i> £000	<i>1998</i> £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 numbers 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.

Axsia Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

14. 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>
At 1 January 1998	7,178	692	1,517	9,427
Profit for the year	-	-	513	513
Dividends	-	-	(1,760)	(1,760)
At 1 January 1999	7,178	692	310	8,180
Profit for the year	-	-	1,859	1,859
Dividends	-	-	(860)	(860)
Exchange differences	-	-	7	7
At 31 December 1999	7,178	692	1,316	9,186

15. CAPITAL COMMITMENTS

	<i>1999 £000</i>	<i>1998 £000</i>
Contracted for but not provided	-	-

16. 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.

17. 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.