

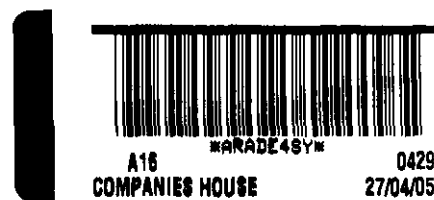
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Axsia Limited

**Directors' report and financial
statements**

Registered number 3047122

Year ended 31 December 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

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 £177,000 (2002 loss of £71,000). An ordinary dividend of £Nil was paid in the year (2002: £1,000,000).

Directors and directors' interests

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

P Michaluk
J M Mayer Resigned 21st March 2003

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

Axsia House
Waterwells Business Park
Gloucester

22nd April 2005

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 auditor 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 auditor

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 2003 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

26th April

2005

Profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Turnover		-	-
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		-	-
Administrative expenses		6	(7)
		<hr/>	<hr/>
Operating profit/(loss)		6	(7)
Interest payable and similar charges	3	(121)	(94)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(115)	(101)
Tax on loss on ordinary activities	4	(62)	30
		<hr/>	<hr/>
Loss on ordinary activities after taxation		(177)	(71)
Dividends	5	-	(1,000)
		<hr/>	<hr/>
Retained loss for the financial year	10	(177)	(1,071)
		<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 2003

	Note	2003 £000	2002 £000	2002 £000
Fixed assets				
Investments	6		11,378	11,378
Current assets				
Debtors	7	7	32	
		<u>7</u>	<u>32</u>	
Creditors: amounts falling due within one year	8	(5)	(3,136)	
Net current assets/(liabilities)				
Due within one year		(3)	(3,104)	
Debtors due after more than one year	7	5	-	
		<u>2</u>	<u>(3,104)</u>	
Total assets less current liabilities			11,380	8,274
Creditors: amounts falling due after more than one year	9	(3,283)	-	
Net assets			8,097	8,274
Capital and reserves				
Called up share capital	10	7,178	7,178	
Share premium account	11	692	692	
Profit and loss account	11	227	404	
Shareholders' funds			8,097	8,274
Shareholders' funds:				
Equity shareholders funds		927	1,104	
Non-equity shareholders funds		7,170	7,170	
		<u>8,097</u>	<u>8,274</u>	

These financial statements were approved by the board of directors on *22nd April* 2005 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 (revised), 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.

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

	2003 £000	2002 £000
Group interest	121	94

4 Taxation

	2003 £000	2002 £000
<i>UK corporation tax</i>		
Adjustments in respect of prior periods	(62)	30
	2003 £000	2002 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(115)	(101)
Current tax at 30%	(35)	(30)
<i>Effects of:</i>		
Adjustments to tax in respect of prior years	(62)	30
Group relief not paid for	35	30
Current tax charge for year	(62)	30

Notes (continued)

5 Dividends and other appropriations

	2003 £000	2002 £000
Ordinary shares:		
Final dividend paid	-	1,000
	<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	Holding	Proportion of voting rights held	Nature of business
Axsia Serck Baker Limited	United Kingdom	Ordinary Shares	100%	Process engineering
Axsia Howmar Limited	United Kingdom	Ordinary Shares	100%	Process instrumentation

7 Debtors

	2003 £000	2002 £000
Amounts owed by subsidiary undertakings	5	5
Other debtors – corporation tax	2	27
	<u> </u>	<u> </u>
	7	32
	<u> </u>	<u> </u>

All debtors are due within one year.

Notes (continued)

8 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Amounts owed to parent undertaking	3,283	3,136
Other creditors	5	-
	<u>3,288</u>	<u>3,136</u>

9 Called up share capital

	2003 No.	2002 No.	2003 £000	2002 £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 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	404
Retained loss for the year	-	(177)
	<hr/>	<hr/>
At end of year	692	227
	<hr/> <hr/>	<hr/> <hr/>

11 Related party disclosures

As the company is a wholly owned subsidiary undertaking of Natco Group Inc, a company incorporated in the USA, which prepares published consolidated financial statements, the company has, pursuant to paragraph 17 of FRS 8 "Related Party Disclosures", not included details of transactions with other companies which are subsidiaries of Natco Group Inc. There are no other related party transactions which require disclosure.

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

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

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