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Axsia Group Limited

**Directors' report and financial
statements**

Registered number 3508104

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

The principal activity of the company is a holding company for investments in the process engineering sector.

Results and dividends

The profit for the year after taxation and dividends amounted to £471,000, (2002: profit £673,000). No dividend is proposed.

Directors and directors' interests

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

P G Michaluk
K Allan
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.

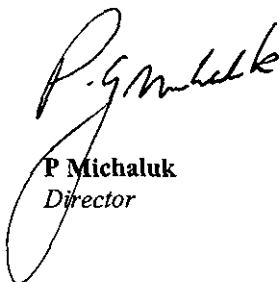
Political and charitable contributions

During the year the company made various charitable contributions totalling £Nil (2002: £Nil)

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
GL2 4AS

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 Group Limited

We have audited the financial statements on pages 4 to 12.

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

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

26th April, 2005

Profit and loss account
for the year ended 31 December 2003

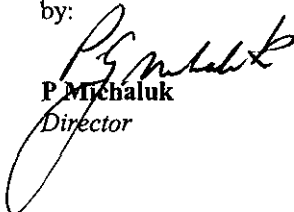
| | <i>Note</i> | 2003 £000 | 2002 £000 |
|---|-------------|---------------------|--------------|
| Turnover | | - | - |
| Cost of sales | | - | - |
| | | <hr/> | <hr/> |
| Gross profit | | - | - |
| Administrative expenses | 5 | 378 | (235) |
| | | <hr/> | <hr/> |
| Operating profit/(loss) | | 378 | (235) |
| Income from shares in group undertakings | | - | 1,000 |
| Interest payable and similar charges | 6 | (310) | (447) |
| Interest receivable and similar income | 4 | 323 | 352 |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | 2 | 391 | 670 |
| Tax on profit on ordinary activities | 7 | 80 | 3 |
| | | <hr/> | <hr/> |
| Profit on ordinary activities after taxation | | 471 | 673 |
| Additional finance cost of preference shares | 8 | - | - |
| | | <hr/> | <hr/> |
| Retained profit for the financial year attributable to equity shareholders | 14 | 471 | 673 |
| | | <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

| | <i>Note</i> | 2003 £000 | 2002 £000 | £000 |
|--|-------------|----------------------------|----------------------------|--------------|
| Fixed assets | | | | |
| Investments | 9 | | 5,896 | 5,896 |
| Current assets | | | | |
| Debtors | 10 | 7,602 | 8,364 | |
| Cash at bank | | - | 10 | |
| | | <u>7,602</u> | <u>8,374</u> | |
| Creditors: amounts falling due within one year | 11 | <u>(2,917)</u> | <u>(6,640)</u> | |
| Net current assets/(liabilities) | | | | |
| Due within one year | | (2,828) | 1,734 | |
| Debtors due after more than one year | 10 | <u>7,513</u> | <u>-</u> | |
| | | | <u>4,685</u> | <u>1,734</u> |
| Total assets less current liabilities | | | <u>10,581</u> | <u>7,630</u> |
| Creditors: amounts falling due after more than one year | 12 | <u>(2,480)</u> | <u>-</u> | |
| Net assets | | | <u>8,101</u> | <u>7,630</u> |
| Capital and reserves | | | | |
| Called up share capital | 13 | 81 | | 81 |
| Share premium account | 14 | 7,090 | | 7,090 |
| Profit and loss account | 14 | 930 | | 459 |
| Equity shareholders' funds | | | <u>8,101</u> | <u>7,630</u> |

These financial statements were approved by the board of directors on 22nd Apr '04 and were signed on its behalf by:


P Michaluk
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2003

| | 2003 £000 | 2002 £000 |
|--|--------------|--------------|
| Profit for the financial year (page 4) | 471 | 673 |
| Opening shareholders' funds | 7,630 | 6,957 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 8,101 | 7,630 |
| | <hr/> | <hr/> |

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.

As the company is a wholly owned subsidiary of Axsia Holdings 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 Axsia Holdings Limited, within which this company is included, can be obtained from Axsia House, Waterwells Business Park, Gloucester, England.

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.

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 Profit on ordinary activities before taxation

| | 2003 £000 | 2002 £000 |
|--|-------------------|-------------------|
| <i>Profit on ordinary activities before taxation is stated after charging/ (crediting):-</i> | | |
| Management charge expense | 47 | 55 |
| Profit on sale of investments | - | (141) |
| Auditors' remuneration | | |
| Audit | 34 | 6 |
| Other | 21 | 14 |
| | <u> </u> | <u> </u> |

3 Staff numbers and costs

The company had no employees in either year.

4 Other interest receivable and similar income

| | 2003 £000 | 2002 £000 |
|-----------------------------|-------------------|-------------------|
| Intra group interest income | 323 | 352 |
| | <u> </u> | <u> </u> |

5 Administrative expenses

| | 2003 £000 | 2002 £000 |
|--|-------------------|-------------------|
| Administration expenses | 102 | 58 |
| Unrealised (profit)/loss on currency translation | (480) | 177 |
| | <u> </u> | <u> </u> |
| | (378) | 235 |
| | <u> </u> | <u> </u> |

Notes (continued)

6 Interest payable and similar charges

| | 2003 £000 | 2002 £000 |
|-------------------------------------|--------------|--------------|
| On bank loans and overdrafts | 128 | 29 |
| Interest paid on intercompany loans | 182 | 418 |
| | <u>310</u> | <u>447</u> |

7 Taxation

| | 2003 £000 | 2002 £000 |
|--|----------------------------|----------------------------|
| <i>UK corporation tax</i> | | |
| Current tax on income for the period | 32 | - |
| Adjustments in respect of prior periods | (112) | (3) |
| | <u>(80)</u> | <u>(3)</u> |
| Current tax credit for year | | |
| | <u>(80)</u> | <u>(3)</u> |
| | <u>2003</u> <u>£000</u> | <u>2002</u> <u>£000</u> |
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 391 | 670 |
| | <u>117</u> | <u>201</u> |
| Current tax at 30% | | |
| <i>Effects of:</i> | | |
| Group relief not paid for | (72) | (201) |
| Loss utilised | (13) | - |
| Adjustments in respect of prior periods | (112) | (3) |
| | <u>(80)</u> | <u>(3)</u> |
| Current tax credit for year | | |
| | <u>(80)</u> | <u>(3)</u> |

8 Dividends and other appropriations

| | 2003 £000 | 2002 £000 |
|--|--------------|--------------|
| Additional finance cost of preference shares | - | - |
| | <u>-</u> | <u>-</u> |

Notes (continued)

9 Investments

| | Shares in group companies £000 |
|--------------------------------|--------------------------------------|
| Cost and net book value | |
| At beginning and end of year | 5,896 |

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 Limited | United Kingdom | Ordinary Shares | 100% | Holding company |
| Richard Mozely Limited | United Kingdom | Ordinary Shares | 100% | Process engineering |
| Axsia Serck Baker (Nigeria) Limited | Nigeria | Ordinary Shares | 50% | Dormant |

10 Debtors

| | 2003 £000 | 2002 £000 |
|---|--------------|--------------|
| Amounts owed by subsidiary undertakings | 7,452 | 6,611 |
| Amounts owed by parent companies | 61 | 1,299 |
| Corporation tax | 89 | 454 |
| | <u>7,602</u> | <u>8,364</u> |

Included in the above figures are amounts totalling £7,513,000 due from parent companies and subsidiary undertakings which are payable after more than one year.

Notes (continued)

11 Creditors: amounts falling due within one year

| | 2003 £000 | 2002 £000 |
|---|--------------|--------------|
| Bank loans and overdrafts | 2,819 | 19 |
| Amounts owed to subsidiary undertakings | - | 5,284 |
| Amounts owed to parent companies | - | 1,240 |
| Other creditors | 26 | 71 |
| Accruals | 72 | 26 |
| | <u>2,917</u> | <u>6,640</u> |

12 Creditors: amounts falling due after more than one year

| | 2003 £000 | 2002 £000 |
|---|--------------|--------------|
| Amounts owed to subsidiary undertakings | <u>2,480</u> | <u>-</u> |

13 Called up share capital

| | 2003 No. | 2002 No. | 2003 £000 | 2002 £000 |
|-------------------------------------|------------------|------------------|--------------|--------------|
| Authorised: | | | | |
| 'A' ordinary shares of 1p each | 2,638,373 | 2,638,373 | 26 | 26 |
| 'B' ordinary shares of 1p each | 4,452,314 | 4,452,314 | 45 | 45 |
| 'C' ordinary shares of 1p each | 1,027,457 | 1,027,457 | 10 | 10 |
| | <u>8,118,144</u> | <u>8,118,144</u> | <u>81</u> | <u>81</u> |
| Allotted, called up and fully paid: | | | | |
| 'A' ordinary shares of 1p each | 2,638,373 | 2,638,373 | 26 | 26 |
| 'B' ordinary shares of 1p each | 4,452,314 | 4,452,314 | 45 | 45 |
| 'C' ordinary shares of 1p each | 1,027,457 | 1,027,457 | 10 | 10 |
| | <u>8,118,144</u> | <u>8,118,144</u> | <u>81</u> | <u>81</u> |

The ordinary shares all rank pari passu and carry similar rights as to interest in the income and capital however there are greater restrictions on the transfer of the 'A' shares and the 'C' shares.

Notes (continued)

14 Reserves

| | Share premium account | Profit and loss account |
|--|--------------------------|-------------------------------|
| | £000 | £000 |
| At beginning of year | 7,090 | 459 |
| Retained profit for equity shareholders (page 4) | - | 471 |
| | <hr/> | <hr/> |
| At end of year | 7,090 | 930 |
| | <hr/> | <hr/> |

15 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 FRS8 "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.

16 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.