

Axsia Group Limited

**Directors' report and financial
statements**

Registered number 3508104

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

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 £673,000, (2001 loss £421,000). 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 Allen
J M Mayer

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.

Directors' report *(continued)*

Political and charitable contributions

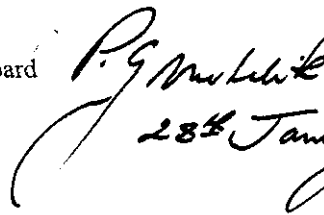
During the year the company made various charitable contributions totalling £nil (2000: £nil)

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


28th January 2004

Axsia House
Waterwells Business Park
Gloucester
GL2 4AS

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 Group Limited

We have audited the financial statements on pages 5 to 13.

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

KPMG LLP
Chartered Accountants
Registered Auditors

KPMG LLP
28 January 2003

Profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002 £000	2001 £000
Turnover		-	-
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		-	-
Management charge		-	41
Administrative expenses		(235)	(542)
		<hr/>	<hr/>
Operating loss		(235)	(501)
Income from shares in group undertakings		1,000	860
Interest payable and similar charges	5	(447)	(214)
Interest receivable and similar income	4	352	1
		<hr/>	<hr/>
Profit on ordinary activities before taxation		670	146
Tax on profit on ordinary activities	6	3	140
		<hr/>	<hr/>
Profit on ordinary activities after taxation		673	286
Additional finance cost of preference shares	7	-	(174)
Unlawful distribution	8	-	(533)
		<hr/>	<hr/>
Retained profit/(loss) for the financial year attributable to equity shareholders		673	(421)
		<hr/> <hr/>	<hr/> <hr/>

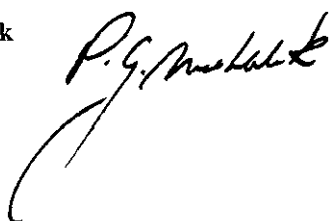
There were no recognised gains or losses in the period other than those shown above which arose from continuing operations.

Balance sheet
at 31 December 2002

	<i>Note</i>	2002 £000	£000	2001 £000	£000
Fixed assets					
Investments	9		5,896		7,171
Current assets					
Debtors	10	8,364		742	
Cash at bank		10			
		<u>8,374</u>		<u>742</u>	
Creditors: amounts falling due within one year	11	<u>(6,640)</u>		<u>(956)</u>	
Net current assets/(liabilities)			<u>1,734</u>		<u>(214)</u>
Total assets less current liabilities			<u>7,630</u>		<u>6,957</u>
Net assets			<u>7,630</u>		<u>6,957</u>
Capital and reserves					
Called up share capital	12	81		81	
Share premium account	13	7,090		7,090	
Profit and loss account	13	459		(214)	
Equity shareholders' funds			<u>7,630</u>		<u>6,957</u>

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

P Michaluk
Director



Reconciliation of movements in shareholders' funds
for the year ended 31 December 2002

	2002 £000	2001 £000
Profit for the financial year (page 5)	673	112
Unlawful distribution (note 8)	-	(533)
Proceeds from issue of new ordinary share capital (including premium)	-	7,171
Redemption of preference shares at par	-	(7,171)
	<hr/>	<hr/>
Net increase in / (reduction in) shareholders' funds	673	(421)
Opening shareholders' funds	6,957	7,378
	<hr/>	<hr/>
Closing shareholders' funds	7,630	6,957
	<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.

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 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.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

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 Profit on ordinary activities before taxation

	2002 £000	2001 £000
<i>Profit on ordinary activities before taxation is stated after charging/ (crediting):-</i>		
Management charge expense/(income)	55	(41)
Profit on sale of investments	(141)	-
Auditors' remuneration	6	6
	<u> </u>	<u> </u>

3 Staff numbers and costs

The company had no employees in either year.

4 Other interest receivable and similar income

	2002 £000	2001 £000
Intra group interest income	352	1
	<u> </u>	<u> </u>

Notes (continued)

5 Interest payable and similar charges

	2002 £000	2001 £000
On bank loans and overdrafts	29	8
Interest paid on intercompany loans	418	206
	<u>447</u>	<u>214</u>

6 Taxation

	2002 £000	2001 £000
<i>UK corporation tax</i>		
Adjustments in respect of prior periods	3	140
	<u>2002 £000</u>	<u>2001 £000</u>
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	670	146
	<u>201</u>	<u>44</u>
(Loss)/profit on ordinary activities at 30%		
Effects of:		
Non taxable income	201	44
	<u>-</u>	<u>-</u>
Current tax charge for year		

7 Dividends and other appropriations

	2002 £000	2001 £000
Additional finance cost of preference shares (note 8)	-	174

8 Unlawful distribution

During the year ended 31 December 2001 a distribution totalling £533,000 was made (being the additional finance cost of preference shares relating to 2000 of £359,000 and the additional finance cost of preference shares relating to period from 1 January 2001 to the date of redemption of 16 March 2001 of £174,000). Upon review it would appear that this distribution was in breach of the Companies Act 1985 'Distribution of profits and assets'.

Notes (continued)

9 Investments

	Shares in group companies £000
Cost and net book value	
At beginning of year	7,171
Disposed in the year (see below)	(1,275)
	<hr/>
At end of year	5,896
	<hr/>

During the year the company sold its investment in Axsia Serck Baker Inc for \$2,000,000, no profit or loss was made on its disposal.

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 Limited	United Kingdom	Ordinary	100%	Holding company
		Sha		
Axsia Serck Baker Limited	United Kingdom	Ordinary	100%	Process engineering
		Sha		
Axsia Howmar Limited	United Kingdom	Ordinary	100%	Process instrumentation
		Sha		
Serck Baker A/S	Norway	Ordinary	100%	Process Engineering
		Sha		
Richard Mozely Limited	United Kingdom	Ordinary	100%	Process engineering
		Sha		
Associated Undertaking				
White tiger Joint Venture	Russia	Ordinary	50%	Process Engineering
		sha		

10 Debtors

	2002 £000	2001 £000
Amounts owed by subsidiary undertakings	6,611	686
Amounts owed by parent companies	1,299	-
Corporation tax	454	56
	<hr/>	<hr/>
	8,364	742
	<hr/>	<hr/>

All debtors are due within one year.

Notes (continued)

11 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Bank loans and overdrafts	19	-
Amounts owed to subsidiary undertakings	5,284	942
Amounts owed to parent companies	1,240	
Other creditors	71	-
Accruals	26	14
	<u>6,640</u>	<u>956</u>

12 Called up share capital

	2002 No.	2001 No.	2002 £000	2001 £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)

13 Reserves

	Share premium account	Profit and loss account
	£000	£000
At beginning of year	7,090	(214)
Retained profit for equity shareholders (page 5)	-	673
	<hr/>	<hr/>
At end of year	7,090	459
	<hr/> <hr/>	<hr/> <hr/>

14 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 (2001 :£nil).

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

15 Related party disclosures

The company is controlled by Axsia Holdings Limited which prepares published consolidated accounts. The ultimate controlling party is NATCO. 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.

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 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, 7th Floor, Houston, Texas 77092, USA.