

CO 11/11/11

**Axsia Holdings Limited**

**Directors' report and financial  
statements**

Registered number 4150927

Period ended 31 December 2001



## Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditors to the members of Axsia Holdings Limited	4
Consolidated profit and loss account	5
Consolidated balance sheet	6
Company balance sheet	7
Reconciliation of movements in shareholders' funds	8
Notes	9

## **Directors' report**

The directors present their first annual report and the audited financial statements for the period from incorporation to 31 December 2001.

### **Principal activities**

The principal activity of the company is that of a holding company.

The principal activity of the group is process engineering.

### **Business review**

The company was incorporated on 31 January 2001 as Starfish Acquisition Limited. On 16 March 2001 it acquired the entire share capital of Axsia Group Limited. On 12 April 2001 it changed its name to Axsia Holdings Limited.

The directors are satisfied with the results for the period and expect that a satisfactory level of activity will be sustained for the foreseeable future.

### **Research and development**

Research and development costs of £402,000 were incurred and expensed in the period.

### **Proposed dividend**

The directors do not recommend a final ordinary dividend.

### **Directors and directors' interests**

The directors who held office during the period were as follows:

M Mayer (appointed 7 February 2001)  
K Allan (appointed 7 February 2001)  
P G Michaluk (appointed 16 March 2001)

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 neither the group nor the company made any charitable contributions.

### **Auditors**

KPMG LLP were appointed as the company's auditors during the period.

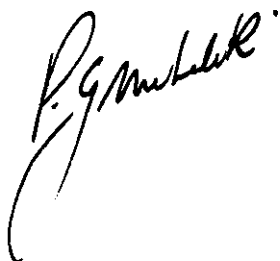
In accordance with section 384 of the Companies Act 1985 a resolution for the reappointment of KPMG LLP as the auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**P G Michaluk**  
*Director*

Axsia House  
Waterwells Business Park  
Gloucester  
GL2 4AS

6 June 2003



## **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 and the group 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 the group 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 Holdings Limited**

We have audited the financial statements on pages 5 to 20.

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 affairs of the company and the group as at 31 December 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

  
KPMG LLP

Chartered Accountants  
Registered Auditor

16 June 2003

**Consolidated profit and loss account**  
*for the period ended 31 December 2001*

	<i>Note</i>	<b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>39,872</b>
Cost of sales		<b>(25,962)</b>
		<hr/>
<b>Gross profit</b>		<b>13,910</b>
Distribution costs		<b>(2,902)</b>
Administrative expenses		<b>(3,664)</b>
		<hr/>
<b>Operating profit</b>		<b>7,344</b>
Interest receivable and similar income	<b>6</b>	<b>187</b>
Interest payable and similar charges	<b>7</b>	<b>(27)</b>
		<hr/>
<b>Profit on ordinary activities before taxation</b>	<b>2-5</b>	<b>7,504</b>
Tax on profit on ordinary activities	<b>8</b>	<b>(2,611)</b>
		<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>4,893</b>
Dividends		<b>-</b>
		<hr/>
<b>Retained profit for the financial year</b>	<b>18</b>	<b>4,893</b>
		<hr/> <hr/>

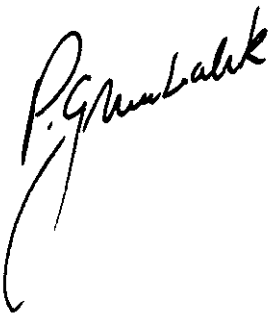
There were no recognised gains or losses in the period other than those shown above which arose from continuing operations.

**Consolidated balance sheet**  
*at 31 December 2001*

	<i>Note</i>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Intangible assets	9		31,421
Tangible assets	11		1,330
			<hr/>
			32,751
<b>Current assets</b>			
Stocks	12	643	
Debtors	13	25,653	
Cash at bank and in hand		1,738	
		<hr/>	
		28,034	
<b>Creditors: amounts falling due within one year</b>	14	(38,098)	
		<hr/>	
<b>Net current liabilities</b>			(10,064)
			<hr/>
<b>Total assets less current liabilities</b>			22,687
<b>Creditors: amounts falling due after more than one year</b>	15		(15)
<b>Provisions for liabilities and charges</b>	16		(1,579)
			<hr/>
<b>Net assets</b>			21,093
			<hr/>
<b>Capital and reserves</b>			
Called up share capital	17		16,200
Profit and loss account	18		4,893
			<hr/>
<b>Equity shareholders' funds</b>			21,093
			<hr/>

These financial statements were approved by the board of directors on *06/06/03* and were signed on its behalf by:

**P G Michaluk**  
*Director*



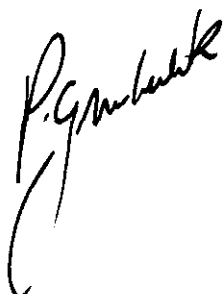


**Company balance sheet**  
*at 31 December 2001*

	<i>Note</i>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Investments	10		32,936
			<hr/>
<b>Current assets</b>			
Debtors	13	1,195	
Cash at bank and in hand		-	
		<hr/>	
		1,195	
<b>Creditors:</b> amounts falling due within one year	14	(17,875)	
		<hr/>	
<b>Net current liabilities</b>			(16,680)
			<hr/>
<b>Total assets less current liabilities</b>			16,256
			<hr/>
<b>Net assets</b>			16,256
			<hr/>
<b>Capital and reserves</b>			
Called up share capital	17		16,200
Profit and loss account	18		56
			<hr/>
<b>Equity shareholders' funds</b>			16,256
			<hr/>

These financial statements were approved by the board of directors on *06/06/03* and were signed on its behalf by:

**P G Michaluk**  
*Director*



**Reconciliation of movements in shareholders' funds**  
*for the 9 month period ended 31 December 2001*

	<b>Group £000</b>	<b>Company £000</b>
<b>Profit for the financial period</b>	4,893	56
Issue of ordinary share capital	16,200	16,200
	<hr/>	<hr/>
<b>Net addition to shareholders' funds</b>	21,093	16,256
Opening shareholders' funds	-	-
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>21,093</b>	<b>16,256</b>
	<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.

Under Financial Reporting Standard 1 the Group is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking includes the group in its own published consolidated financial statements.

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2001. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

In the company's financial statements, investments in subsidiary undertakings, are stated at cost.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

#### *Goodwill*

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Goodwill is amortised to nil by equal instalments over its estimated useful life of 20 years

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	20%
Plant, machinery and vehicles	-	10-20%
Office equipment	-	20%

No depreciation is provided on freehold land and buildings.

#### *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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Research and development expenditure*

Expenditure on research and development is written off against profits in the year in which it is incurred.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. In determining the cost is determined on a first in, first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

#### *Long term contracts*

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

## Notes (continued)

### 2 Analysis of turnover and profit on ordinary activities before taxation

	£000
<i>By geographical market</i>	
United Kingdom	2,993
Europe	3,380
North America	325
South and Central America	25
Middle East	8,068
Asia	6,952
Africa	18,010
Other	119
	<hr/>
	39,872
	<hr/>

### 3 Profit on ordinary activities before taxation

	£000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>	
Auditors' remuneration:	
Audit (Company £8,000)	53
Other services (Company £nil)	-
Amortisation of goodwill	1,653
Depreciation and other amounts written off tangible fixed assets:	
Owned	282
Leased	5
Hire of plant and machinery - rentals payable under operating leases	-
Hire of other assets - operating leases	72
Research and development expenditure	117
Profit on disposal of fixed asset	(7)

**Notes** *(continued)*

**4 Remuneration of directors**

	<b>£000</b>
Directors' emoluments	133
	<hr/>
Company contributions to money purchase pension schemes	9
	<hr/>
	<b>142</b>
	<hr/> <hr/>

The directors received no remuneration from the company in the year.

The remuneration paid by UK group companies to the directors is shown above.

**Number of directors**

Retirement benefits are accruing to the following number of directors under:

Money purchase schemes	1
	<hr/> <hr/>

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees
Engineering and sales	94
Administration	21
Production	39
	<hr/>
	<b>154</b>
	<hr/>

The aggregate payroll costs of these persons were as follows:

	£000
Wages and salaries	4,313
Social security costs	441
Other pension costs	206
	<hr/>
	<b>4,960</b>
	<hr/>

### 6 Other interest receivable and similar income

	£000
Interest on bank deposits	187
	<hr/>

**Notes (continued)**

**7 Interest payable and similar charges**

£000

On bank loans and overdrafts

27

**8 Taxation**

£000

*UK corporation tax*

Current tax on income for the period at 30%

2,611

**9 Intangible fixed assets – Group**

**Goodwill**  
**£000**

*Cost*

Additions and at end of period (note 10)

33,074

*Amortisation*

Charged in period and at end of period

1,653

*Net book value*

At 31 December 2001

31,421

The goodwill arose on the acquisition of Axsia Group Limited on 16 March 2001. It is being amortised over 20 years based on the directors estimate of the useful economic life.



## Notes (continued)

### 10 Investments – company

On 16 March 2001 the company purchased the whole of the equity share capital of Axsia Group Limited and its subsidiaries. In the period 1 January 2001 to 16 March 2001 Axsia Group Limited and its subsidiaries had a turnover of £10.0m and operating profit of £1.5m. In the year to 31 December 2000 Axsia Group Limited and its subsidiaries had a turnover £41.4m and an operating profit of £3.3m.

Details relating to the acquisition are as follows:

	<b>Total £000</b>
<b>Net assets acquired:</b>	
Tangible fixed assets	1,173
Stock	1,061
Debtors	27,735
Cash at bank	381
Other creditors	(30,488)
	<hr/>
<b>Provisional fair value of net assets acquired</b>	<b>(138)</b>
	<hr/>
<b>Consideration and costs</b>	
Cash	32,936
	<hr/>
<b>Goodwill</b>	<b>33,074</b>
	<hr/>

The principal companies in which the company's interest at the year end is more than 20% are as follows:

	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Class and percentage of shares held</b>
<b><i>Subsidiary undertakings</i></b>			
Axsia Group Limited	England and Wales	Process Engineering	100% of ordinary share capital
Axsia Serck Baker Limited	England and Wales	Process Engineering	100% of ordinary share capital
Axsia Howmar Limited	England and Wales	Process Engineering	100% of ordinary share capital
Serck Baker A/S	Norway	Process Engineering	100% of ordinary share capital
Axsia Limited	England and Wales	Holding company	100% of ordinary share capital
Serck Baker Limited	England and Wales	Dormant	100% of ordinary share capital
Howmar Limited	England and Wales	Dormant	100% of ordinary share capital
Fluid Processing	Malaysia	Process Engineering	100% of ordinary share capital

## Notes (continued)

### 11 Tangible fixed assets – Group

	Freehold land and Buildings £000	Leasehold improvements £000	Fixtures and fittings £000	Plant, machinery, and vehicles £000	Total £000
<b>Cost</b>					
Fair value of assets acquired	362	253	319	239	1,173
Additions	-	-	185	273	458
Disposals	-	-	(21)	(82)	(103)
<b>Total</b>	<b>362</b>	<b>253</b>	<b>483</b>	<b>430</b>	<b>1,528</b>
<b>Depreciation</b>					
Charge for period	15	9	144	119	287
Disposals	-	-	(15)	(74)	(89)
<b>Total</b>	<b>15</b>	<b>9</b>	<b>129</b>	<b>45</b>	<b>198</b>
<b>Net book value</b>					
At 31 December 2001	<b>347</b>	<b>244</b>	<b>354</b>	<b>385</b>	<b>1,330</b>

Included in the total net book value of plant, machinery and vehicles is £17,000 in respect of assets held under finance leases. Depreciation for the year on these assets was £5,000.

The company has no tangible fixed assets.

### 12 Stocks

	Group £000	Company £000
Raw materials and consumables	415	-
Work in progress	228	-
	<b>643</b>	<b>-</b>

Work in progress includes the following amounts in respect of long-term contracts:

	Group £000	Company £000
Net cost less foreseeable losses	228	-
Less payments on account received and receivable not matched with turnover	-	-
	<b>228</b>	<b>-</b>

## Notes (continued)

### 13 Debtors

	Group £000	Company £000
Trade debtors	14,047	-
Amounts recoverable on contracts	9,937	-
Amounts owed by subsidiary undertakings	-	1,164
Other debtors	1,420	31
Prepayments and accrued income	249	-
	<hr/>	<hr/>
	<b>25,653</b>	<b>1,195</b>
	<hr/>	<hr/>

All debtors are due within one year

### 14 Creditors: amounts falling due within one year

	Group £000	Company £000
Bank loans and overdrafts	409	-
Obligations under finance leases and hire purchase contracts (see note 20)	7	-
Payments received on account	90	-
Trade creditors	5,738	-
Amounts owed to USA parent	17,787	17,787
Taxation and social security	1,794	88
Other creditors	302	-
Accruals and deferred income	11,971	-
	<hr/>	<hr/>
	<b>38,098</b>	<b>17,875</b>
	<hr/>	<hr/>

**Notes (continued)**

**15 Creditors: amounts falling due after more than one year**

	<b>Group £000</b>	<b>Company £000</b>
Obligations under finance leases and hire purchase contracts	8	-
Other creditors	7	-
	<hr/>	<hr/>
	<b>15</b>	<b>-</b>
	<hr/>	<hr/>

**Analysis of debt:**

	<b>Group £000</b>	<b>Company £000</b>
Obligations under finance lease and hire purchase contracts		
Amount payable:		
Within one year	9	-
In two to five year	9	-
Less: future finance charges	(3)	-
	<hr/>	<hr/>
	<b>15</b>	<b>-</b>
	<hr/>	<hr/>

**16 Provisions for liabilities and charges**

	<b>Warranty £000</b>
On acquisition	716
Additional amounts provided	1,875
Utilised during the year	(499)
Amounts released unused	(513)
	<hr/>
<b>At end of year</b>	<b>1,579</b>
	<hr/>

## Notes (continued)

### 17 Called up share capital

	£000
<i>Authorised</i>	
Equity: 16,200,000 ordinary shares of £1 each	16,200
	<hr/>
<i>Allotted, called up and fully paid</i>	
Equity: 16,200,000 ordinary shares of £1 each	16,200
	<hr/>

### 18 Profit and loss account

	Group £000	Company £000
Retained profit for the period	4,893	56
	<hr/>	<hr/>

### 19 Contingent liabilities

	£000
Amount of guarantees in respect of contracts	4,291
	<hr/>

The company has given floating charges on all its assets to Westminster Bank Plc to secure advances and undertakings given by the Bank to Axsia Holdings Limited and its subsidiaries. In addition, the company has entered into a composite guarantee arrangement under which the company guarantees the overdrafts of the other group undertakings in the UK.

## Notes (continued)

### 20 Commitments

- a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	£000
Contracted	Nil

- (b) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings £000	Other £000
Operating leases which expire:		
Within one year	23	-
In the second to fifth years inclusive	84	28
Over five years	245	-
	<u>352</u>	<u>28</u>

### 21 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 £213,219.

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

### 22 Related party disclosures

The ultimate controlling party is NATCO Inc., incorporated in the USA. The company has, pursuant to FRS 8 'Related Party Disclosures', not included details of transactions with other companies which are members of NATCO Inc.. There are no other related party transactions.

### 23 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, 7<sup>th</sup> Floor, Houston, Texas 77092, USA.

**Company profit and loss account**  
*for the period ended 31 December 2001*

	£000
<b>Gross profit</b>	-
Distribution costs	-
Administrative expenses	-
	<hr/>
<b>Operating profit</b>	-
Interest receivable and similar income	83
Interest payable and similar charges	-
	<hr/>
<b>Profit on ordinary activities before taxation</b>	83
Tax on profit on ordinary activities	(27)
	<hr/>
<b>Profit on ordinary activities after taxation</b>	56
Dividends	-
	<hr/>
<b>Retained profit for the financial year</b>	56
	<hr/> <hr/>

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

These financial statements were approved by the board of directors on 06/6/03 and were signed on its behalf by:

**P G Michaluk**  
 Director

