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**Report of the Directors and
Financial Statements for the Year Ended 31 December 2003
for
Omicron NanoTechnology Limited**



Omicron NanoTechnology Limited

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for the Year Ended 31 December 2003**

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Omicron NanoTechnology Limited
Company Information
for the Year Ended 31 December 2003

DIRECTORS:	C E Moore N Nold
SECRETARY:	A M Lang
REGISTERED OFFICE:	10A/12A High Street East Grinstead West Sussex RH19 3AW
REGISTERED NUMBER:	3204016 (England and Wales)
AUDITORS:	Alexandra Durrant Chartered Accountants Registered Auditors 10A/12A High Street East Grinstead West Sussex RH19 3AW
BANKERS:	Lloyds Bank Plc 82 High Street Lewes East Sussex BN7 2AD

Omicron NanoTechnology Limited

Report of the Directors for the Year Ended 31 December 2003

The directors present their report with the financial statements of the company for the year ended 31 December 2003.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of design and manufacture of scientific equipment. The company has an ongoing programme of research and development to enhance its products.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2003.

DIRECTORS

The directors during the year under review were:

C E Moore

N Nold

The beneficial interests of the directors holding office on 31 December 2003 in the issued share capital of the company were as follows:

	31.12.03	1.1.03
Ordinary £1 shares		
C E Moore	14	14
N Nold	-	-
Redeemable Preference £1 shares		
C E Moore	-	-
N Nold	-	-

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 of the company 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;
- 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 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.

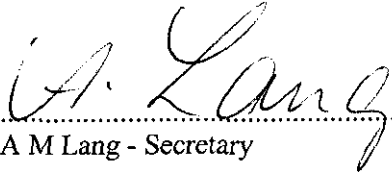
Omicron NanoTechnology Limited

**Report of the Directors
for the Year Ended 31 December 2003**

AUDITORS

The auditors, Alexandra Durrant Chartered Accountants, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


A M Lang - Secretary

Date: 29.11.04

**Report of the Independent Auditors to the Shareholders of
Omicron NanoTechnology Limited**

We have audited the financial statements of Omicron NanoTechnology Limited for the year ended 31 December 2003 on pages six to nineteen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 auditors' 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

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Report of the Directors 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.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

**Report of the Independent Auditors to the Shareholders of
Omicron NanoTechnology Limited**

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.



Alexandra Durrant Chartered Accountants
Registered Auditors
10A/12A High Street
East Grinstead
West Sussex
RH19 3AW

Date: 1 December 2004

Omicron NanoTechnology Limited

**Profit and Loss Account
for the Year Ended 31 December 2003**

		<u>2003</u>		<u>2002</u>	
	Notes	£	£	£	£
TURNOVER			5,546,073		4,805,322
Cost of sales			<u>3,614,784</u>		<u>3,189,085</u>
GROSS PROFIT			1,931,289		1,616,237
Distribution costs		100,461		101,176	
Administrative expenses		<u>1,556,035</u>		<u>1,404,797</u>	
			<u>1,656,496</u>		<u>1,505,973</u>
OPERATING PROFIT	3		274,793		110,264
Interest receivable and similar income			<u>2,192</u>		<u>672</u>
			276,985		110,936
Interest payable and similar charges	4		<u>1,056</u>		<u>4,346</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			275,929		106,590
Tax on profit on ordinary activities	5		<u>61,169</u>		<u>32,679</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			214,760		73,911
Retained profit brought forward			<u>162,380</u>		<u>88,469</u>
RETAINED PROFIT CARRIED FORWARD			<u>£377,140</u>		<u>£162,380</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these financial statements

Omicron NanoTechnology Limited

Balance Sheet 31 December 2003

		2003		2002	
	Notes	£	£	£	£
FIXED ASSETS:					
Intangible assets	6		57,970		86,908
Tangible assets	7		<u>345,159</u>		<u>337,616</u>
			403,129		424,524
CURRENT ASSETS:					
Stock and work in progress	8	1,002,942		1,306,666	
Debtors	9	824,364		1,769,233	
Cash at bank and in hand		<u>302</u>		<u>144,436</u>	
		1,827,608		3,220,335	
CREDITORS: Amounts falling due within one year	10	<u>824,989</u>		<u>2,442,268</u>	
NET CURRENT ASSETS:			<u>1,002,619</u>		<u>778,067</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			1,405,748		1,202,591
CREDITORS: Amounts falling due after more than one year	11		<u>235,265</u>		<u>246,868</u>
			<u>£1,170,483</u>		<u>£955,723</u>
CAPITAL AND RESERVES:					
Called up share capital	13		793,343		793,343
Profit and loss account			<u>377,140</u>		<u>162,380</u>
SHAREHOLDERS' FUNDS:	15		<u>£1,170,483</u>		<u>£955,723</u>

ON BEHALF OF THE BOARD:

N Nold - Director

Approved by the Board on 29.11.04

The notes form part of these financial statements

Omicron NanoTechnology Limited
Cash Flow Statement
for the Year Ended 31 December 2003

		<u>2003</u>	<u>2002</u>
	Notes	£	£
Net cash inflow/(outflow) from operating activities	1	(56,372)	101,016
Returns on investments and servicing of finance	2	1,136	(3,674)
Taxation		(23,124)	(42,528)
Capital expenditure	2	(153,520)	(101,920)
Increase/(Decrease) in cash in the period		<u>£231,880</u>	<u>£(47,106)</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
Increase/(Decrease) in cash in the period		<u>(231,880)</u>	<u>(47,106)</u>
Change in net funds resulting from cash flows		(231,880)	(47,106)
Movement in net funds in the period		<u>(231,880)</u>	<u>(47,106)</u>
Net funds at 1 January		<u>144,436</u>	<u>191,542</u>
Net (debt)/funds at 31 December		<u>£(87,444)</u>	<u>£144,436</u>

The notes form part of these financial statements

Omicron NanoTechnology Limited

**Notes to the Cash Flow Statement
for the Year Ended 31 December 2003**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit	274,793	110,264
Depreciation charges	138,656	114,680
Amortisation of intangible fixed asset	43,454	12,423
Profit on sale of fixed assets	(7,197)	-
Decrease/(increase) in stocks	303,724	(354,869)
Decrease/(increase) in debtors	939,745	(585,418)
(Decrease)/increase in creditors	(1,749,547)	803,936
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	<u>(56,372)</u>	<u>101,016</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2003 £	2002 £
Returns on investments and servicing of finance		
Interest received	2,192	672
Interest paid	(1,056)	(4,346)
	<hr/>	<hr/>
Net cash inflow/(outflow) for returns on investments and servicing of finance	<u>1,136</u>	<u>(3,674)</u>
 Capital expenditure		
Purchase of intangible fixed assets	(14,517)	-
Purchase of tangible fixed assets	(169,942)	(101,920)
Sale of tangible fixed assets	<u>30,939</u>	<u>-</u>
 Net cash outflow for capital expenditure	<u>(153,520)</u>	<u>(101,920)</u>

The notes form part of these financial statements

Omicron NanoTechnology Limited

**Notes to the Cash Flow Statement
for the Year Ended 31 December 2003**

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.03 £	Cash flow £	At 31.12.03 £
Net cash:			
Cash at bank and in hand	144,436	(144,134)	302
Bank overdraft	<u>-</u>	<u>(87,746)</u>	<u>(87,746)</u>
	<u>144,436</u>	<u>(231,880)</u>	<u>(87,444)</u>
 Total	 <u>144,436</u>	 <u>(231,880)</u>	 <u>(87,444)</u>
 Analysed in Balance Sheet			
Cash at bank and in hand	144,436		302
Bank overdraft	<u>-</u>		<u>(87,746)</u>
	<u>144,436</u>		<u>(87,444)</u>

The notes form part of these financial statements

Omicron NanoTechnology Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax. During the year, the company made the following sales to countries outside the UK:

E.U. Countries	55.26% (2002 62.88%)
Japan, India & Switzerland	10.99% (2002 0.21%)
USA	4.56% (2002 4.14%)

Intangible fixed assets

Intangible fixed assets comprise the development costs of specific systems for their production. These are shown at cost and are amortised through the profit and loss account as the systems are sold.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold property	- Straight line over the life of the lease
Plant and machinery	- 20% on cost
Fixtures and fittings	- 20% on cost
Equipment	- 20% on cost
Computer equipment	- 25% on cost

Stocks

Stocks and work in progress (both short and long term) are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is based on the cost of purchase on a first in, first out basis.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Research and development expenditure

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred, except development expenditure incurred on individual projects. Where the recoverability of this development expenditure can be foreseen with reasonable assurance it is capitalised and amortised in

Omicron NanoTechnology Limited
Notes to the Financial Statements
for the Year Ended 31 December 2003

line with sales from relevant projects.

2. STAFF COSTS

	2003	2002
	£	£
Wages and salaries	937,268	861,260
Social security costs	98,001	80,064
Other pension costs	<u>29,807</u>	<u>34,486</u>
	<u><u>1,065,076</u></u>	<u><u>975,810</u></u>

The average monthly number of employees during the year was as follows:

	2003	2002
Sales	1	1
Administration	3	3
Production	<u>46</u>	<u>36</u>
	<u>50</u>	<u>40</u>

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2003	2002
	£	£
Hire of plant and machinery	3,617	5,172
Depreciation - owned assets	138,656	114,680
Profit on disposal of fixed assets	(7,197)	-
Auditors' remuneration	<u>6,700</u>	<u>6,700</u>
Directors' emoluments	<u>-</u>	<u>-</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£	£
Bank interest	82	273
Loan interest payable	7,792	7,792
Foreign exchange	<u>(6,818)</u>	<u>(3,719)</u>
	<u><u>1,056</u></u>	<u><u>4,346</u></u>

Omicron NanoTechnology Limited

**Notes to the Financial Statements
for the Year Ended 31 December 2003**

5. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2003 £	2002 £
Current tax:		
UK corporation tax	65,600	23,000
Interest on corporation tax	-	565
(Over)/under provision for Tax	<u>(4,431)</u>	<u>9,114</u>
Total current tax	<u>61,169</u>	<u>32,679</u>
Tax on profit on ordinary activities	<u>61,169</u>	<u>32,679</u>

UK corporation tax has been charged at 30% (2002 - 30%).

6. INTANGIBLE FIXED ASSETS

	<u>Patents and licences</u> £
COST:	
At 1 January 2003	134,480
Additions	<u>14,517</u>
At 31 December 2003	<u>148,997</u>
AMORTISATION:	
At 1 January 2003	47,573
Charge for year	<u>43,454</u>
At 31 December 2003	<u>91,027</u>
NET BOOK VALUE:	
At 31 December 2003	<u>57,970</u>
At 31 December 2002	<u>86,908</u>

The company has developed certain systems for future production. The development costs comprise of staff costs and related expenditure and are to be written off to the profit & loss account as these systems are sold into the open market.

Omicron NanoTechnology Limited

**Notes to the Financial Statements
for the Year Ended 31 December 2003**

7. TANGIBLE FIXED ASSETS

	<u>Leasehold property</u>	<u>Plant and machinery</u>	<u>Fixtures and fittings</u>
	£	£	£
COST:			
At 1 January 2003	168,296	227,224	92,922
Additions	4,040	95,165	3,594
Disposals	<u>-</u>	<u>(61,505)</u>	<u>(39,993)</u>
At 31 December 2003	<u>172,336</u>	<u>260,884</u>	<u>56,523</u>
DEPRECIATION:			
At 1 January 2003	44,779	133,504	71,629
Charge for year	19,684	58,486	11,213
Eliminated on disposals	<u>-</u>	<u>(37,773)</u>	<u>(39,993)</u>
At 31 December 2003	<u>64,463</u>	<u>154,217</u>	<u>42,849</u>
NET BOOK VALUE:			
At 31 December 2003	<u>107,873</u>	<u>106,667</u>	<u>13,674</u>
At 31 December 2002	<u>123,516</u>	<u>93,719</u>	<u>21,295</u>

Omicron NanoTechnology Limited

**Notes to the Financial Statements
for the Year Ended 31 December 2003**

7. TANGIBLE FIXED ASSETS - continued

	<u>Equipment</u>	<u>Computer equipment</u>	<u>Totals</u>
	£	£	£
COST:			
At 1 January 2003	152,689	233,735	874,866
Additions	20,556	46,587	169,942
Disposals	<u>(70,066)</u>	<u>(35,371)</u>	<u>(206,935)</u>
At 31 December 2003	<u>103,179</u>	<u>244,951</u>	<u>837,873</u>
DEPRECIATION:			
At 1 January 2003	107,771	179,568	537,251
Charge for year	19,248	30,025	138,656
Eliminated on disposals	<u>(70,056)</u>	<u>(35,371)</u>	<u>(183,193)</u>
At 31 December 2003	<u>56,963</u>	<u>174,222</u>	<u>492,714</u>
NET BOOK VALUE:			
At 31 December 2003	<u>46,216</u>	<u>70,729</u>	<u>345,159</u>
At 31 December 2002	<u>44,920</u>	<u>54,166</u>	<u>337,616</u>

8. STOCK AND WORK IN PROGRESS

	2003	2002
	£	£
Stock	<u>1,002,942</u>	<u>1,306,666</u>

**9. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2003	2002
	£	£
V.A.T.	8,399	-
Trade debtors	286,198	705,239
Other debtors	4,853	5,460
Prepayments & accrued income	30,351	44,177
Amounts owed by group companies	494,563	1,009,233
Corporation tax recoverable	<u>-</u>	<u>5,124</u>
	<u>824,364</u>	<u>1,769,233</u>

Omicron NanoTechnology Limited

**Notes to the Financial Statements
for the Year Ended 31 December 2003**

**10. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2003 £	2002 £
Bank loans and overdrafts (see note 12)	87,746	-
Trade creditors	233,328	521,361
Deferred income	373,650	903,599
Other creditors	-	1,140
Amounts due to group companies	27,113	948,696
V.A.T.	-	163
Social security & other taxes	31,055	22,985
Corporation tax	65,600	32,681
Accrued expenses	6,497	11,643
	<u>824,989</u>	<u>2,442,268</u>

**11. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	2003 £	2002 £
Amounts due to group companies	<u>235,265</u>	<u>246,868</u>

12. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	2003 £	2002 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>87,746</u>	<u>-</u>

Omicron NanoTechnology Limited
Notes to the Financial Statements
for the Year Ended 31 December 2003

13. CALLED UP SHARE CAPITAL

Authorised:		Nominal value:	2003	2002
Number:	Class:		£	£
1,000	Ordinary	£1	1,000	1,000
799,000	Redeemable Preference	£1	<u>799,000</u>	<u>799,000</u>
			<u>800,000</u>	<u>800,000</u>

Allotted, issued and fully paid:		Nominal value:	2003	2002
Number:	Class:		£	£
100	Ordinary	£1	100	100
793,243	Redeemable Preference	£1	<u>793,243</u>	<u>793,243</u>
			<u>793,343</u>	<u>793,343</u>

The preference shares are redeemable in tranches of not less than 50,000 at par at the option of the company on or after 3 years from the date of issue.

14. RELATED PARTY DISCLOSURES

Mr N Nold is a director and a major shareholder of Omicron Holdings Gmbh, the company's ultimate holding company. Omicron Holdings Gmbh holds 100% of the shares of Omicron NanoTechnology Gmbh which is the company's immediate holding company.

During the year the company had the following transactions with related companies:

	2003	2002
Sales to:		
Omicron NanoTechnology Gmbh	£2,415,292	£3,070,530
Omicron UHV Technik Limited	£17,920	£9,654
Omicron NanoTechnology USA	£252,794	£234,677
Omicron NanoTechnology Gmbh (Switzerland)	£105,444	£0
Omicron NanoTechnology EURL	£260,403	£85,572
Purchases from:		
Omicron NanoTechnology Gmbh	£987,055	£1,318,028
Omicron UHV Technik Limited	£132,730	£54,409
Omicron NanoTechnology Gmbh (Switzerland)	£15,599	£0

Omicron NanoTechnology Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

14. RELATED PARTY DISCLOSURES (continued)

The amounts owed by related companies are:

Omicron NanoTechnology Gmbh	£323,564	£942,203
Omicron UHV Technik Limited	£13,455	£10,167
Omicron NanoTechnology USA	£63,722	£56,863
Omicron NanoTechnology EURL	£93,822	£0

The amounts due owed to related companies are:

Omicron NanoTechnology Gmbh	£189,959	£1,141,066
Omicron UHV Technik Limited	£16,186	£715
Omicron Electron Spectroscopy Limited	£53,783	£53,783
Omicron NanoTechnology Gmbh (Switzerland)	£2,450	£0

Included in the amounts owed to Omicron NanoTechnology Gmbh is a loan of £181,482 (2002 - £193,084) on which interest is payable @ 4.39%.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	214,760	73,911
Net addition to shareholders' funds	214,760	73,911
Opening shareholders' funds	955,723	881,812
Closing shareholders' funds	<u>1,170,483</u>	<u>955,723</u>
Equity interests	<u>1,170,483</u>	<u>955,723</u>

16. CONTROL

The company is controlled by Mr N Nold a director of the company and a shareholder in the ultimate holding company. On a day to day basis the company is managed by Mr R Shenton.

Omicron NanoTechnology Limited

**Notes to the Financial Statements
for the Year Ended 31 December 2003**

17. ULTIMATE HOLDING COMPANY

Omicron Holdings GmbH, incorporated in Germany, is regarded as the company's ultimate holding company.