



**INDEPENDENT AUDITORS' STATEMENT TO e2v HOLDINGS LIMITED (the "Company")
FOR THE PURPOSE OF SECTION 43(3)(b) OF THE COMPANIES ACT 1985**

We have examined the balance sheet of the Company as at 31 March 2004 which formed part of the financial statements for the year then ended audited by us.

This report is made solely to the Company in accordance with Section 43(3)(b) of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company those matters we are required to state 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, for our audit work, for this report, or for the opinions we have formed.

Basis of opinion

The scope of our work for the purposes of this statement was limited to an examination of the relationship between the Company's net assets and its called-up share capital and undistributable reserves as stated in the audited balance sheet in connection with the Company's proposed re-registration as a public company.

Opinion

In our opinion the balance sheet of the Company at 31 March 2004 shows that the amount of the Company's net assets was not less than the aggregate of its called-up share capital and undistributable reserves.

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP', with a stylized flourish at the end.

Ernst & Young LLP
Registered Auditor
Cambridge

25 June 2004



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E2V HOLDINGS LIMITED
Report and Financial Statements
31 March 2004



E2V Holdings Limited

Registered No: 4439718

DIRECTORS

K Attwood
M Hannant
M Hassall
I Slaughter
J Davison
I Godden

SECRETARY

M Hannant

AUDITORS

Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge
CB5 8DZ

SOLICITORS

MacFarlanes
10 Norwich Street
London
EC4A 1BD

REGISTERED OFFICE

106 Waterhouse Lane
Chelmsford
Essex
CM1 2QU

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 March 2004.

RESULTS AND DIVIDENDS

The group profit for the year was £3,281,000 (period ended 31 March 2003: £2,005,000). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS & FUTURE DEVELOPMENTS

The group's principal activity is a leading developer and manufacturer of electronic tube and sensor components and subsystems. It supplies its products to niche sectors within the Medical and Science, Aerospace and Defence and the Commercial and Industrial markets. The group has operations in the UK, USA, Germany and France, as well as an established network of agents and distributors covering the Americas, Europe, Middle East and Africa, Far East and Australia.

Retained profits for the year amount to £3,281,000 (period ended 31 March 2003: £2,005,000) which have been transferred to reserves.

This report covers the first full year of operations since the formation of the group following the MBO in July 2002 from Marconi plc.

The group generated sales of £97,566,000 in the year to 31 March 2004, which have realised an operating profit of £9,855,000. This has been achieved despite the strength of sterling against the United States dollar, which adversely impacted sales and margins. In the period, exports accounted for 69% of the group's sales and North America and Europe remain the major geographical markets for the business.

At 31 March 2004, the group's order book amounted to £78m, an increase of 9.9% from 31 March 2003, and the group is well placed to exploit opportunities, across all market sectors, arising from the introduction of new products developed in recent years.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the share capital of the company were as follows:

	At 31 March 2004		At 31 March 2003	
	<i>B Ordinary shares</i>	<i>Ordinary shares</i>	<i>B Ordinary shares</i>	<i>Ordinary shares</i>
K Attwood	34,091	115,909	34,091	115,909
M Hannant	13,636	40,909	—	40,909
M Hassall	68,182	13,637	68,182	13,637
I Slaughter	68,182	13,637	68,182	13,637
J Davison	—	—	—	—
I Godden	—	—	—	—

DISABLED EMPLOYEES

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy, wherever practicable, to provide continuing employment under normal terms and conditions, and to provide training and career development and promotion to disabled employees, wherever appropriate.

DIRECTORS' REPORT

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the group has been continued through the company newsletter "time2talk" in which employees are encouraged to contribute news. In addition regular team briefs are held to allow the free flow of information.

CREDITOR PAYMENT POLICY

The group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group does not have a standard or code of conduct which deals specifically with the payment of suppliers.

The group's average creditor payment period at 31 March 2004 was 64 days (2003: 60 days). The company has no trade creditors (2003:£nil)

AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the next annual general meeting.

On behalf of the Board



M Hannant
Finance Director

18TH June 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF
THE FINANCIAL STATEMENTS

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 group and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.