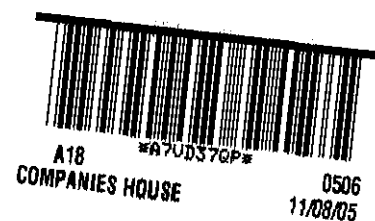


Leica Microsystems (UK) Limited
Annual report and financial statements
for the year ended 31 December 2004

Registered Number: 00476611



Leica Microsystems (UK) Limited
Annual report and financial statements
for the year ended 31 December 2004

Contents

Directors' report for the year ended 31 December 2004.....	1
Independent auditors' report to the members of Leica Microsystems (UK) Limited	3
Profit and loss account for the year ended 31 December 2004	4
Balance sheet as at 31 December 2004	5
Notes to the financial statements for the year ended 31 December 2004	6

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Directors' report for the year ended 31 December 2004

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

Principal activities

The company continued to act as the United Kingdom distributor for the Leica Microsystems group, *manufacturers of microscopic equipment.*

Review of business developments

During the current fiscal period revenues were £17 million. This represents a decrease of £1.5million on the prior period.

The company expects continued success in the future with moderate growth and the further addition of innovative products and services.

The profit and loss account for the year is set out on page 4.

Results and dividends

The directors recommend the payment of a dividend amounting to £500,000 (2003: £nil). The loss for the financial year of £842,000 has been taken to reserves. The loss in 2004 (compared with a profit in 2003 of £609,000) arose as a result of the surrender of a lease for office space costing £976,000. It was financially advantageous to terminate the lease early and so the Directors took the decision to surrender the lease in the current period.

Directors and their interests

The directors of the company, all of whom (except where stated) have been directors throughout the year ended 31 December 2004 are:

J D Buckley

J Cooper (appointed 1 December 2004)

No director had any beneficial interest in the shares of the company or of any UK group company.

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Directors' report for the year ended 31 December 2004 (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

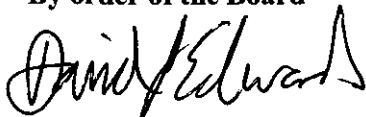
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to reappoint them as auditors to the company will be proposed at the annual general meeting.

By order of the Board



D L Edwards

Company Secretary

5th August 2004

Registered office:

Davy Avenue

Knowlhill

Milton Keynes

MK5 8LB

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Independent auditors' report to the members of Leica Microsystems (UK) Ltd

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the director's report.

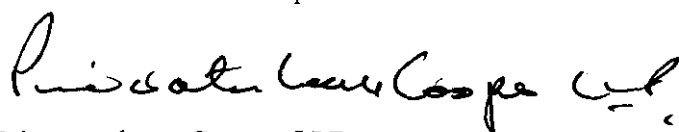
Basis of audit opinion

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 at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cambridge
8 August 2005

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Profit and loss account for the year ended 31 December 2004

	Note	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Turnover	2	17,109	18,637
Operating (loss)/profit	3	(877)	165
Interest receivable and similar income	6	472	350
(Loss)/Profit on ordinary activities before taxation		(405)	515
Tax on (loss)/profit on ordinary activities	7	63	94
(Loss)/Profit for the financial period		(342)	609
Dividend proposed	8	(500)	-
Retained loss for the financial year	16	(842)	609

The above turnover and (losses)/profits were derived from continuing activities.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

The company has no recognised gains and losses and therefore no separate statement of total recognised gains and losses has been presented.

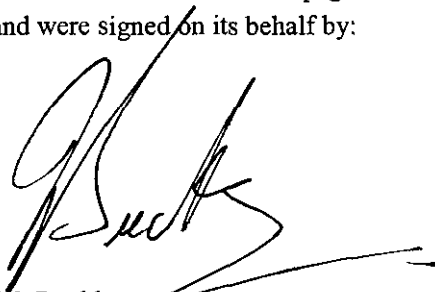
During the period the company surrendered a lease for office space that was no longer required, but that was not due to expire until 2013. The total costs associated with the surrender, including legal fees amounted to £976,000. This is deemed to be a one-off transaction during the period, with no further costs expected to be incurred. The cost of the surrender has been included in the calculation of the year's operating loss reported in the profit and loss account, as it does not meet the criteria of an exceptional item as defined in Financial Reporting Standard 3. These costs have also been included under the 'other operating charges' heading in Note 3 of the financial statements.

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Balance sheet as at 31 December 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	9	477	528
Current assets			
Stocks	10	357	266
Debtors	11	18,028	18,230
Cash at bank and in hand		31	129
		18,416	18,625
Creditors - Amounts falling due within one year	12	(4,991)	(4,586)
Net current assets		13,425	14,039
Total assets less current liabilities		13,902	14,567
Creditors - Amounts falling due after more than one year	13	(737)	(728)
Provisions for liabilities and charges	14	(974)	(806)
Net assets		12,191	13,033
Capital and reserves			
Called up share capital	15	11,725	11,725
Profit and loss account	16	466	1,308
Equity shareholders' funds	17	12,191	13,033

The financial statements on pages 4 to 16 were approved by the board of directors on []
and were signed on its behalf by:


J D Buckley
Director

5th August 2005

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Notes to the financial statements for the year ended 31 December 2004

1 Principle accounting policies

a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Cash flow statement

The company is a wholly owned subsidiary of an EU parent company and is included in the consolidated financial statements of its parent, which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under terms of Financial Reporting Standard 1 (Revised 1996).

c) Depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Computer software and equipment	20-100
Fixtures and fittings and equipment	10-20
Leasehold improvements	4

d) Stocks

Stocks are stated at the lower of cost, including freight and duty where applicable, and net realisable value. Provision is made for obsolete and slow moving stock.

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Notes to the financial statements for the year ended 31 December 2004

Principal accounting policies (continued)

e) Taxation

The charge for taxation is based on the results for the year as adjusted for disallowable items, and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation in respect of timing differences has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements. A deferred tax asset is not recognised unless it is more likely than not that there will be sufficient future taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities recognised have not been discounted.

f) Turnover

Turnover represents the value of goods invoiced to third parties during the year excluding VAT. It is recognised upon product shipment, provided that there are no uncertainties regarding acceptance, there is persuasive evidence of an arrangement, the sale price is fixed or determinable and collection of the related receivable is probable. Revenue is stated net of certain discounts and returns.

g) Foreign currencies

Foreign currency transactions during the year are translated into sterling at the exchange rates ruling at the date of transaction. Monetary assets and liabilities at the year end are translated at the rates ruling at the balance sheet date. All exchange differences arising in this manner are reported in the profit and loss account for the year.

h) Leased and hired assets

Assets acquired under hire purchase and finance lease agreements are included in tangible fixed assets and amounts owing to the finance company are included as appropriate in amounts falling due either within or after more than one year. Repayments are treated as consisting of both capital and interest with the interest charged to the profit and loss account on a straight-line basis. Payments under operating leases are charged to the profit and loss account as they fall due.

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Notes to the financial statements for the year ended 31 December 2004

Principal accounting policies (continued)

i) Pensions

Defined benefit pension arrangements for staff are operated through the Leica Microsystems Group Pension Scheme. Assets of the Scheme are administered by trustees and kept separate from those of the Leica Microsystems Group. Independent actuaries prepare valuations of the scheme at least every three years and in accordance with their recommendations the group makes contributions. The scheme meets the definition of a multi-employer scheme under FRS 17 and as such the pension costs charged to the profit and loss account of the company are those payable in respect of the accounting period. Further details of the Leica Microsystems Group Pension Scheme are disclosed in the accounts of Leica Microsystems UK Holdings Limited.

2 Turnover

All turnover arose from the sale of microscopic equipment in the United Kingdom.

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	2004	2003
	£'000	£'000
Raw materials and consumables	10,769	12,554
Change in stocks of finished goods	110	(22)
Staff costs	3,158	2,965
Depreciation and other amounts written off tangible fixed assets	119	114
Other operating charges	3,692	2,551
Foreign currency (gains)/losses	(7)	(11)
Operating lease rentals		
- hire of plant and machinery	295	263
- other	350	350
Auditors' remuneration		
- audit services	17	15
- non-audit services	-	7

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Notes to the financial statements for the year ended 31 December 2004

4 Directors' remuneration

	2004	2003
	£'000	£'000
Aggregate emoluments	103	86

Retirement benefits are accruing to two (2003: one) director in a defined benefit pension scheme to which the company contributes.

5 Staff costs

	2004	2003
	£'000	£'000
Wages and salaries	2,479	2,370
Social security costs	264	248
Other pensions costs (see note 19)	415	347
Staff costs	3,158	2,965

The average weekly number of employees during the period was as follows:

	2004	2003
By activity	Number	Number
Marketing, selling and technical service	68	66
General and administration	8	8
	76	74

6 Interest receivable and similar income

	2004	2003
	£'000	£'000
Interest receivable from group undertakings	472	350

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Notes to the financial statements for the year ended 31 December 2004

7 Taxation on (loss)/profit on ordinary activities

	2004 £'000	2003 £'000
UK corporation tax at 30% (31 December 2003: 30%)	-	-
Deferred tax:		
- Origination and reversal of timing differences	(43)	(81)
- Under provision in respect of prior years:	(20)	(13)
Total tax credit	(63)	(94)

The tax credit for the year is lower (31 December 2003: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £'000	2003 £'000
(Loss)/profit on ordinary activities before tax	(405)	515
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (31 December 2003: 30%)	(122)	155
Effects of:		
Expenses not deductible for tax purposes	335	26
Group relief claimed not paid	(257)	(263)
Difference between capital allowances and depreciation	(7)	(3)
Other short term timing differences	51	85
Current tax charge for period	-	-

8 Dividends

	2004 £'000	2003 £'000
Equity – Ordinary shares		
Final proposed: £0.426 (2003: £nil) per £1 share	500	-

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Notes to the financial statements for the year ended 31 December 2004

9 Tangible fixed assets

	Computer software and equipment £'000	Leasehold improvements £'000	Furniture, fixtures and equipment £'000	Total £'000
Cost				
At 1 January 2004	440	1,029	442	1,911
Additions	38	30	-	68
Disposals	(151)	-	(40)	(191)
At 31 December 2004	327	1,059	402	1,788
Depreciation				
At 1 January 2004	(373)	(596)	(414)	(1,383)
Charge for the period	(48)	(56)	(15)	(119)
Disposals	151	-	40	191
At 31 December 2004	(270)	(652)	(389)	(1,311)
Net book value:				
At 31 December 2004	57	407	13	477
At 31 December 2003	67	433	28	528

10 Stocks

	2004 £'000	2003 £'000
Parts and raw materials	105	124
Goods for resale	252	142
	357	266

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Notes to the financial statements for the year ended 31 December 2004

11 Debtors

	2004	2003
	£'000	£'000
Amounts falling due within one year		
Trade debtors	3,429	3,832
Amounts owed by group undertakings	13,931	13,827
Prepayments and accrued income	323	289
	17,683	17,948
Amounts falling due after more than one year		
Deferred tax asset	345	282
	18,028	18,230

The deferred tax asset comprises:

	2004	2003
	£'000	£'000
Accelerated capital allowances	44	30
Other short term timing differences	301	252
	345	282

Deferred tax assets have not been discounted.

12 Creditors: amounts falling due within one year

	2004	2003
	£'000	£'000
Trade creditors	290	610
Amounts owed to group undertakings	3,111	2,506
Other taxation and social security	358	323
Other creditors	4	10
Customer deposits	-	45
Accruals and deferred income	1,228	1,092
	4,991	4,586

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Notes to the financial statements for the year ended 31 December 2004

13 Creditors – Amounts falling due after more than one year

	2004	2003
	£'000	£'000
Deferred income	737	728

14 Provisions for liabilities and charges

	Contractual obligations	Pension provision	Total
	£'000	£'000	£'000
Balance at 1 January 2004	74	732	806
Charge during the year	-	415	415
Utilised during the year	(74)	(173)	(247)
Balance at 31 December 2004	-	974	974

The pension provision represents the cumulative pension cost recognised in the profit and loss account that has not been discharged through payments to the pension fund as a result of the company's contribution holiday referred to in note 19. The provision will be utilised in future periods based on actuarial advice received.

The contractual obligations provision relates to liabilities that may crystallise under contracts entered into with third parties. The liability is unlikely to be utilised within the next 5 years.

15 Called up share capital

	2004	2003
	£'000	£'000
Authorised		
20,000,000 ordinary shares of £1 each	20,000	20,000
Allotted, called up and fully paid		
11,725,497 ordinary shares of £1 each	11,725	11,725

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Notes to the financial statements for the year ended 31 December 2004

16 Profit and loss account

	£'000
At 1 January 2004	1,308
Loss for the year	(842)
At 31 December 2004	466

17 Reconciliation of movements in shareholders' funds

	2004	2003
	£'000	£'000
Loss for the financial period	(342)	609
Dividends proposed	(500)	-
Net change in shareholders funds	(842)	609
Opening shareholders' funds	13,033	12,424
Closing shareholders' funds	12,191	13,033

18 Operating lease commitments

At 31 December 2004 the company had annual commitments under non-cancellable operation leases as follows:

	2004		2003	
	Land and	Other	Land and	Other
	buildings		buildings	
	£'000	£'000	£'000	£'000
Operating leases which expire:				
- within one year	-	55	-	31
- between two and five years	-	158	-	178
- over five years	350	-	350	-
	350	213	350	209

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Notes to the financial statements for the year ended 31 December 2004

19 Pension costs

A defined benefit pension scheme is operated for the employees of the UK companies within the Leica Microsystems group. The scheme is funded by the payment of contributions to a separately administered trust fund. However, the contributions paid by the company are accounted for as if the scheme were a defined contribution scheme, as the company is unable to identify its share of the underlying assets and liabilities in the scheme. Benefits provided by this scheme are based on final pensionable salary and years of service.

The contributions to the company's pension scheme are determined with the advice of an independent qualified actuary on the basis of valuations carried out at least triennially. The most recent valuation was made as at 1 April 2003, using the Ongoing Valuation method and the following main assumptions:

Rate of salary increases	4.50% per annum
Valuation rate of investment return	7.90% per annum
Rate of growth in equity dividend	2.50% per annum
Pension increases	2.25% per annum

This valuation showed that the market value of the scheme's assets at that date amounted to £33,763,000 and the actuarial value was sufficient to cover approximately 91% of the benefits that had accrued to members after allowing for the effect of future increases in earnings. The deficit identified by the actuarial valuation will be eliminated by increases to the company's pension contributions.

The pension expense charged to the company's accounts for the period ended 31 December 2004 amounted to £415,000 (2003: £347,000).

20 Capital commitments

There are no capital commitments at 31 December 2004 (31 December 2003: £nil)

21 Contingent liability

The company is a party to an agreement to cross-guarantee banking facilities of companies in the Leica Microsystems Group.

22 Related party disclosures

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Leica Microsystems Group or investees of the Leica Microsystems Group.

Leica Microsystems (UK) Limited
Annual report and financial statements
for the year-ended 31 December 2004

Notes to the financial statements for the year ended 31 December 2004

23 Parent companies and ultimate controlling party

The ultimate holding company is LM Investment S.à.r.l., a company registered in Luxembourg. The immediate parent company is Leica Microsystems Cambridge Limited (formerly known as Leica Microsystems (UK Holdings) Limited), a company incorporated in the United Kingdom.

The largest and smallest group of undertakings for which consolidated accounts have been prepared is that headed by Leica Microsystems AG, a company incorporated in Germany.

Consolidated financial statements for the group are available from:

Leica Microsystems AG
Ernst-Leitz Strasse,
35578 Wetzlar,
Postfach 2020,
D-35530 Wetzlar
Germany

The directors recognise LM Investment S.à.r.l. as the company's ultimate controlling party, by virtue of shareholdings.