

LEYBOLD OPTICS UK LIMITED

Registered in England No. 4023277

Report and Accounts

for the year ended 31 December 2004



Leybold Optics UK Limited

Registered in England No. 4023277

DIRECTORS

David J Clegg (Managing Director)
Helmut Frankenberger
Joerg Schwarzkopf

SECRETARY

David J Clegg

AUDITORS

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

Barclays Bank PLC
Luton Corporate Banking Centre
PO Box 729
1 Capability Green
Luton
Beds. LU1 3US

SOLICITORS

Baker & McKenzie
100 New Bridge Street
London EC4V 6JA

REGISTERED OFFICE

St Modwen Road
Stretford
Manchester M32 0ZE

Leybold Optics UK Limited

DIRECTORS' REPORT

The directors present their annual report and audited accounts for the year ended 31 December 2004.

RESULTS AND DIVIDENDS

The loss for the financial year amounted to £66,921 (2003 loss - £161,270).

The directors do not recommend a dividend payment, which leaves a loss of £66,921 (2003 loss - £161,270) to be retained.

PRINCIPAL ACTIVITIES

The principal activities of the company continued to be the sale and servicing of Optical coating equipment, operating from Manchester.

BUSINESS REVIEW

The results for the year are shown in the profit and loss account on page 5.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows :

David J Clegg

Juergen Meinel (resigned 4 May 2004)

Werner Strauch (resigned 4 May 2004)

Helmut Frankenberger (appointed 4 May 2004)

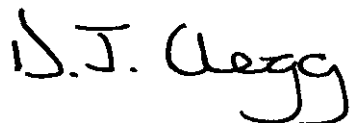
Joerg Schwarzkopf (appointed 4 May 2004)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or any group company.

AUDITORS

Ernst & Young LLP has indicated its willingness to continue as auditors, and a motion to appoint them will be put to the Annual General Meeting.

By order of the Board



Secretary

1st June 2005

Leybold Optics UK Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

Leybold Optics UK Limited
INDEPENDENT AUDITOR'S REPORT
to the members of Leybold Optics UK Limited

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 20. These financial statements have been prepared on the basis of 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 in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and 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 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.

We read the Directors' Report 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as 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.

Ernst + Young LLP

Ernst & Young LLP
Registered Auditor
Manchester

24 June 2005

Leybold Optics UK Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2004

		2004	2003
	Notes	£	£
TURNOVER	2	3,100,399	3,901,745
Cost of sales		<u>(2,002,014)</u>	<u>(2,797,124)</u>
GROSS PROFIT		1,098,385	1,104,621
Administrative expenses		(1,121,911)	(1,251,579)
OPERATING LOSS	3	<u>(23,526)</u>	<u>(146,958)</u>
Other interest receivable and similar income		1,022	863
Interest payable	6	(44,417)	(38,205)
		<u>(43,395)</u>	<u>(37,342)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(66,921)	(184,300)
Tax on loss on ordinary activities	7	-	23,030
TRANSFER FROM RESERVES	16	<u>(66,921)</u>	<u>(161,270)</u>

All activities relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses in either the current year or prior year other than those included in the profit and loss account.

Leybold Optics UK Limited
BALANCE SHEET
at 31 December 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Intangible assets	8	137,400	160,300
Tangible assets	9	7,860	10,837
		<u>145,260</u>	<u>171,137</u>
CURRENT ASSETS			
Stocks	10	510,915	523,923
Debtors	11	764,063	944,932
Cash at bank and in hand		95,260	60,289
		<u>1,370,238</u>	<u>1,529,144</u>
CREDITORS: amounts falling due within one year	12	(432,313)	(296,010)
NET CURRENT ASSETS		<u>937,925</u>	<u>1,233,134</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,083,185	1,404,271
CREDITORS: amounts falling due after more than one year	13	(952,776)	(1,206,941)
NET ASSETS		<u>130,409</u>	<u>197,330</u>
CAPITAL AND RESERVES			
Called up share capital	15	500,000	500,000
Profit and loss account	16	(369,591)	(302,670)
EQUITY SHAREHOLDERS' FUNDS		<u>130,409</u>	<u>197,330</u>

Approved by the Board on

1st June 2005

D.J. Clegg,

Director

Leybold Optics UK Limited
NOTES TO THE ACCOUNTS
for the year ended 31 December 2004

1. ACCOUNTING POLICIES

The following accounting policies have been applied:

Accounting convention

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Going concern

The parent undertaking has agreed to provide sufficient funds to ensure the company is able to meet its liabilities as they fall due. On this basis, the directors consider it appropriate to prepare the accounts on the going concern basis.

Cash flow statement

The company is a wholly owned subsidiary undertaking of a parent undertaking producing publicly available accounts, and as such has taken advantage of the exemption allowed under Financial Reporting Standard No. 1 (Revised), "Cash Flow Statements", not to produce a cash flow statement.

Fixed assets and depreciation

All fixed assets are recorded initially at cost. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Plant and machinery	- 20% - 33.3% per annum
Office equipment	- 20% - 50% per annum

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leybold Optics UK Limited
NOTES TO THE ACCOUNTS
for the year ended 31 December 2004

1 ACCOUNTING POLICIES (continued)

Stocks and work in progress

Stock is stated at the lower of cost, including duty and freight, and net realisable value. Work in progress is included at the cost of components used and sub-contracted work. No addition is made for overheads as these are not material.

Goodwill

Goodwill is the difference between the cost of acquired assets and liabilities and the aggregate of the fair value of those identifiable assets and liabilities. Purchased goodwill is amortised through the profit and loss account over the directors' estimate of its useful life not exceeding 10 years.

An impairment review is performed at the end of the first full year after acquisition, and also where an event has occurred that could affect the carrying value of the goodwill. An impairment loss is recognised where the carrying amount is not covered by the discounted cashflows resulting from the continued use of the assets or from their disposal.

Leases and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company contributes to a group stakeholder pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Turnover

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

2 ANALYSIS OF TURNOVER AND PROFIT ON ORDINARY ACTIVITIES

Turnover and profit on ordinary activities before taxation arise from the company's principal activities in the United Kingdom.

Leybold Optics UK Limited
NOTES TO THE ACCOUNTS
for the year ended 31 December 2004

3 OPERATING LOSS

Operating loss is stated after charging:

	2004 £	2003 £
Auditors' remuneration - audit	9,000	10,300
- other services	6,937	16,640
Amortisation of intangible assets	22,900	22,900
Depreciation of owned tangible assets	2,552	7,115
Depreciation of assets held under finance leases	4,165	8,196
Staff costs (note 5)	668,536	683,435
Operating lease rentals - plant and machinery	1,261	1,062
- other	62,290	64,536
	<u>668,536</u>	<u>683,435</u>

4 DIRECTORS' EMOLUMENTS

	2004 £	2003 £
Emoluments	94,263	97,927
Company pension contributions to defined contribution scheme	<u>3,603</u>	<u>3,710</u>
	<u>97,866</u>	<u>101,637</u>
	No.	No.
Director members of defined contribution scheme	<u>1</u>	<u>1</u>

5 STAFF NUMBERS AND COSTS

The monthly average number of persons employed by the company (including directors) during the year was as follows:

	2004 No.	2003 No.
Average number of employees	<u>16</u>	<u>16</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	588,695	599,035
Social security costs	61,286	62,495
Other pension costs (note 18)	18,555	21,905
	<u>668,536</u>	<u>683,435</u>

Leybold Optics UK Limited
NOTES TO THE ACCOUNTS
for the year ended 31 December 2004

6 INTEREST PAYABLE

	2004	2003
	£	£
Interest payable to group companies	43,689	37,939
Other loans	21	266
Finance lease interest	707	-
	<u>44,417</u>	<u>38,205</u>

7 TAX ON LOSS ON ORDINARY ACTIVITIES

	2004	2003
	£	£
Current tax		
UK Corporation tax on result of the period	-	(16,424)
Corporation tax under/(over) provided in previous years	-	(6,606)
Total current tax	-	(23,030)
Deferred Tax		
Origination and reversal of timing differences	-	-
Tax on loss on ordinary activities	-	(23,030)

Factors affecting current tax charge

Loss on ordinary activities before tax	(66,921)	(184,300)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30.00% (2003 - 30.00%)	(20,076)	(55,290)
Effect of:		
Disallowed expenses and non taxable income	9,786	8,314
Depreciation less capital allowances	328	2,718
Decrease in general provisions	-	(3,000)
Tax overprovided in prior year	-	(6,606)
Losses carried forward	9,962	30,834
	-	(23,030)

Leybold Optics UK Limited
NOTES TO THE ACCOUNTS
for the year ended 31 December 2004

8 INTANGIBLE FIXED ASSETS

	Goodwill £
Cost:	
At 31 December 2003 and 2004	<u>229,001</u>
Amortisation:	
At 31 December 2003	68,701
Provided during the year	<u>22,900</u>
At 31 December 2004	<u>91,601</u>
Net book value:	
At 31 December 2004	<u>137,400</u>
At 31 December 2003	<u>160,300</u>

Goodwill is being written off in equal annual instalments over its estimated useful life of 10 years.

9 TANGIBLE FIXED ASSETS

	Plant and machinery £	Office equipment £	Total £
Cost:			
At 31 December 2003	12,458	50,305	62,763
Additions	<u>2,745</u>	<u>995</u>	<u>3,740</u>
At 31 December 2004	<u>15,203</u>	<u>51,300</u>	<u>66,503</u>
Depreciation:			
At 31 December 2003	12,149	39,777	51,926
Provided during the year	<u>1,027</u>	<u>5,690</u>	<u>6,717</u>
At 31 December 2004	<u>13,176</u>	<u>45,467</u>	<u>58,643</u>
Net book value:			
At 31 December 2004	<u>2,027</u>	<u>5,833</u>	<u>7,860</u>
At 31 December 2003	<u>309</u>	<u>10,528</u>	<u>10,837</u>

The net book value of plant and machinery above includes an amount of £4,164 (2003 - £8,329) in respect of assets held under finance leases.

Leybold Optics UK Limited
NOTES TO THE ACCOUNTS
for the year ended 31 December 2004

10 STOCKS

	2004	2003
	£	£
Finished goods and goods for resale	<u>510,915</u>	<u>523,923</u>

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

11 DEBTORS

	2004	2003
	£	£
Trade debtors	578,608	860,413
Amounts owed by fellow subsidiary undertakings	63,052	48,402
Other debtors	106,505	28,102
Prepayments and accrued income	<u>15,898</u>	<u>8,015</u>
	<u>764,063</u>	<u>944,932</u>

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	2003
	£	£
Obligations under finance leases	4,165	5,689
Trade creditors	104,916	63,515
Amounts owed to parent and fellow subsidiary undertakings	165,341	142,123
Other creditors including taxation and social security		
- Corporation tax	-	-
- Other taxes and social security	47,385	52,903
Accruals and deferred income	<u>110,506</u>	<u>31,780</u>
	<u>432,313</u>	<u>296,010</u>

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004	2003
	£	£
Loan from fellow subsidiary undertaking	950,000	1,200,000
Obligations under finance leases	<u>2,776</u>	<u>6,941</u>
	<u>952,776</u>	<u>1,206,941</u>

The £,950,000 intercompany loan is repayable to Leybold Optics GmbH by 31 March 2008.
It bears interest on the daily balance at the LIBOR rate.

Leybold Optics UK Limited
NOTES TO THE ACCOUNTS
for the year ended 31 December 2004

14 PROVISIONS FOR LIABILITIES AND CHARGES

No deferred tax asset £39,982 (2003 - £35,255) in respect losses carried forward has been recognised on the basis that there is insufficient evidence that the asset will be recoverable. The asset will become recoverable as the company begins to generate taxable profits against which recovery can be made.

15 SHARE CAPITAL

	Allotted, called up and fully paid	
	2004	2003
	£	£
500,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

The authorised share capital of the company as at 31 December 2004 and 31 December 2003 was £1,000,000 divided into 1,000,000 shares of £1 each.

16 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit and loss account £	Total shareholders' funds £
Balance at 1 January 2003	500,000	(141,400)	358,600
Retained loss for the year	-	(161,270)	(161,270)
Balance at 31 December 2003	<u>500,000</u>	<u>(302,670)</u>	<u>197,330</u>
Retained loss for the year	-	(66,921)	(66,921)
Balance at 31 December 2004	<u>500,000</u>	<u>(369,591)</u>	<u>130,409</u>

Leybold Optics UK Limited
NOTES TO THE ACCOUNTS
for the year ended 31 December 2004

17 COMMITMENTS

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

	Land and buildings 2004 £	Other 2004 £	Land and buildings 2003 £	Other 2003 £
Operating leases which expire:				
Within one year	-	-	-	10,675
In the second to fifth years inclusive	20,004	47,833	20,004	12,384
	<u>20,004</u>	<u>47,833</u>	<u>20,004</u>	<u>23,059</u>

Commitments under finance leases and hire purchase contracts.

The maturity of these amounts is as follows:

	2004 £	2003 £
Amounts payable:		
Within one year	4,165	5,689
In two to five years	<u>2,776</u>	<u>6,941</u>
	<u>6,941</u>	<u>12,630</u>

Fellow subsidiaries of Leybold Optics Verwaltungs GmbH have a €20,283,000 Senior Facility Agreement and a €16,902,500 Mezzanine Facility Arrangement with The Royal Bank of Scotland plc. As part of these agreements, a fixed charge over the Company's debtors and a floating charge over the Company's current and future assets was granted.

18 PENSION SCHEME

The company operates a Group stakeholder pension scheme.

The pension cost charge for the year represents contributions payable by the company to the fund amounting to £18,555 (2003 - £21,905).

19 RELATED PARTIES TRANSACTIONS

The company has taken advantage of the exemption under Financial Reporting Standard No. 8 from disclosing transactions with entities that are part of the Group, where 90% or more of the voting rights of these entities are controlled within the Group.

Leybold Optics UK Limited
NOTES TO THE ACCOUNTS
for the year ended 31 December 2004

20 ULTIMATE PARENT UNDERTAKING

At the year end the largest group in which the results of the company are consolidated was that headed by EQT Partners AB, the ultimate parent undertaking, which is incorporated in Sweden. The smallest group in which they are consolidated was that headed by Leybold Optics GmbH, which is incorporated in the Federal Republic of Germany. The consolidated accounts of these groups are available to the public and may be obtained from:

EQT Partners AB
Postfach 16409
S-103 27 Stockholm
Sweden

Leybold Optics GmbH
Siemensstrasse 88
Alzenau
Germany