LEYBOLD OPTICS UK LIMITED

Report and Accounts

31 December 2002

ERNST & YOUNG

Leybold Optics UK Limited
Registered No. 4023277

DIRECTORS
David J Clegg (Managing Director)
Werner Stauch
Juergen Meinel

SECRETARY
Abogado Nominees Limited

AUDITORS
Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

BANKERS
Barclays Bank PLC
Wimbledon Business Centre
8 Alexander Road
Wimbledon
London SW19 7LA

SOLICITORS
Baker & McKenzie
100 New Bridge Street
London EC4V 6JA

REGISTERED OFFICE
St Modwen Road
Stretford
Manchester M32 0ZE

DIRECTORS' REPORT

The directors present their annual report and audited accounts for the year ended 31 December 2002.

RESULTS AND DIVIDENDS

The loss for the financial year amounted to £ 38,765 (2001 loss - £102,635).
The directors do not recommend a dividend payment , which leaves a loss of £38,765 (2001 - loss £102,635) 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 during the year ended 31 December 2002 were as follows
David J Clegg
Werner Strauch
Juergen Meinel

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

D.J. Clegg

Secretary 23rd May 2003

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.

Ernst & Young

INDEPENDENT AUDITORS' REPORT
to the members of Leybold Optics UK Limited

We have audited the company's accounts for the year ended 31 December 2002. which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 20. These accounts 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 accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards.
We report to you our opinion as to whether the accounts 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 accounts, 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2002 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
London

5 June 2003

Leybold Optics UK Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2002

	Notes	2002 £	2001 £
TURNOVER	2	4,502,278	4,607,501
Cost of sales		(3,134,270)	(3,238,233)
GROSS PROFIT		1,368,008	1,369,268
Administrative expenses		(1,319,148)	(1,326,427)
OPERATING PROFIT	3	48,860	42,841
Other interest receivable and similar income		961	7,295
Interest payable and similar charges	6	(65,149)	(72,771)
		(64,188)	(65,476)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(15,328)	(22,635)
Tax on profit on ordinary activities	7	(23,437)	(80,000)
LOSS FOR THE FINANCIAL YEAR		(38,765)	(102,635)
Loss brought forward		(102,635)	-
LOSS CARRIED FORWARD	16	(141,400)	(102,635)

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

Leybold Optics UK Limited
BALANCE SHEET
at 31 December 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Intangible assets	8	183,200	206,100
Tangible assets	9	12,472	29,903
		195,672	236,003
CURRENT ASSETS			
Stocks	10	666,176	764,329
Debtors	11	1,055,681	1,100,133
Cash at bank and in hand		97,181	101,064
		1,819,038	1,965,526
CREDITORS: amounts falling due within one year	12	(654,384)	(393,848)
NET CURRENT ASSETS		1,164,654	1,571,678
TOTAL ASSETS LESS CURRENT LIABILITIES		1,360,326	1,807,681
CREDITORS: amounts falling due after more than one year	13	(1,001,726)	(1,404,316)
PROVISIONS FOR LIABILITIES AND CHARGES	14	-	(6,000)
		(1,001,726)	(1,410,316)
NET ASSETS		358,600	397,365
CAPITAL AND RESERVES			
Called up share capital	15	500,000	500,000
Profit and loss account	16	(141,400)	(102,635)
EQUITY SHAREHOLDERS FUNDS		358,600	397,365

Approved by the Board on 23rd May 2003

Director D.J. Clegg.

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NOTES TO THE ACCOUNTS
at 31 December 2002

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 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
FRS19 was implemented during the year, which required provision for deferred tax as detailed below. As the company has always recognised deferred tax on a full provision basis, there has been no impact on the company's opening reserves.

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.

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.

NOTES TO THE ACCOUNTS
at 31 December 2002

3. OPERATING PROFIT

Operating profit is stated after charging:

	2002	2001
	£	£
Auditors' remuneration - audit	10,000	4,000
- other services	5,730	25,417
Amortisation of intangible assets	22,900	22,901
Depreciation of owned tangible assets	16,758	16,265
Depreciation of assets held under finance leases	2,071	1,522
Staff costs (note 6)	680,451	659,279
Hire of plant and machinery - rentals payable under operating leases	130	2,948
Other operating lease rentals	82,560	103,202
Finance lease charges	626	2,008

4 REMUNERATION OF DIRECTORS

	2002	2001
	£	£
Emoluments	88,666	91,684
Company pension contributions	3,376	1,213
	92,042	92,897
	No.	No.
Director members of defined contribution scheme	1	1

The amounts in respect of the highest paid director are as follows:

	£	£
Emoluments	88,666	91,684
Company pension contributions	3,376	1,213
	92,042	92,897

5 STAFF NUMBERS AND COSTS

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

	2002	2001
	No.	No.
Average number of employees	18	18

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	602,921	584,326
Social security costs	57,338	59,422
Other pension costs (note 18)	20,192	15,531
	680,451	659,279

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NOTES TO THE ACCOUNTS
at 31 December 2002

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Interest payable to group companies	64,395	70,411
Other	754	2,360
	65,149	72,771

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2002	2001
	£	£
Current tax		
UK Corporation tax on profits of the period	23,030	74,000
Corporation tax under/(over) provided in previous years	6,407	-
Total current tax	29,437	74,000
Deferred Tax		
Origination and reversal of timing differences	(6,000)	6,000
Tax on profit/(loss) on ordinary activities	23,437	80,000

<u>Factors affecting current tax charge</u>

	2002	2001
Profit/(Loss) on ordinary activities before tax	(15,328)	(22,635)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30.00% (2001 : 30.00%)	(4,598)	(6,790)
Effect of :		
Disallowed expenses and non taxable income	17,384	85,323
Depreciation in excess of capital allowances	2,744	1,759
Short term timing differences	7,500	-
Adjustments in respect of previous periods-P&L a/c	6,407	-
Other	-	(6,292)
	29,437	74,000

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NOTES TO THE ACCOUNTS
at 31 December 2002

8. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost:	
At 31 December 2001 and 2002	229,001
Amortisation:	
At 31 December 2001	22,901
Provided during the period	22,900
At 31 December 2002	45,801
Net book value:	
At 31 December 2002	183,200
At 31 December 2001	206,100

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

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9. TANGIBLE FIXED ASSETS

	Plant and machinery £	Furniture equipment £	Total £
Cost:			
At 31 December 2001	12,549	35,141	47,690
Additions	-	1,707	1,707
Disposals	(306)	(3)	(309)
At 31 December 2002	12,243	36,845	49,088
Depreciation:			
At 31 December 2001	4,036	13,751	17,787
Provided during the year	4,035	14,794	18,829
Disposals	-	-	-
At 31 December 2002	8,071	28,545	36,616
Net book value:			
At 31 December 2002	4,172	8,300	12,472
At 31 December 2001	8,513	21,390	29,903

The net book value of plant and machinery above includes an amount of £4,030 (2001 - £6,101) in respect of assets held under finance leases.

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NOTES TO THE ACCOUNTS
at 31 December 2002

10. STOCKS

	2002	2001
	£	£
Finished goods and goods for resale	666,176	764,329

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

11. DEBTORS

	2002	2001
	£	£
Trade debtors	831,862	776,190
Amounts owed by fellow subsidiary undertakings	103,413	125,615
Other debtors	106,076	198,328
Prepayments and accrued income	14,330	-
	1,055,681	1,100,133

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Obligations under finance leases (note 17)	2,590	2,590
Trade creditors	255,318	35,296
Amounts owed to parent and fellow subsidiary undertakings	259,837	228,145
Other creditors including taxation and social security		
- Corporation tax	23,602	74,000
- Other taxes and social security	98,637	49,817
Accruals and deferred income	14,400	4,000
	654,384	393,848

13. CREDITORS: amounts falling due after more than one year

	2002	2001
	£	£
Loan from fellow subsidiary undertaking	1,000,000	1,400,000
Obligations under finance leases (note 17)	1,726	4,316
	1,001,726	1,404,316

NOTES TO THE ACCOUNTS
at 31 December 2002

14. PROVISIONS FOR LIABILITIES AND CHARGES

	£
Deferred taxation:	
At 31 December 2001	6,000
Provided during the year	(6,000)
Prior year adjustment	-
At 31 December 2002	-

The deferred tax included in the balance sheet is as follows :

	2002	2001
	£	£
Accelerated capital allowance	-	6,000
Other timing differences	-	-
Total deferred tax liabilities	-	6,000

Deferred tax assets in respect of accelarated capital allowances of £10,617 (2001 - £nil) and short term timing differences of £7,500 (2001 - £nil) have not been recognised as they are not expected to reverse in the forseeable future.

15. SHARE CAPITAL

	Allotted,called up and fully paid	
	2002	2001
	£	£
500,000 Ordinary shares of £1 each	500,000	500,000

The authorised share capital of the company as at 31 December 2002 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 2001	1	-	1
Issued share capital	499,999	-	499,999
Retained profit for the year	-	(102,635)	(102,635)
Balance at 31 December 2001	500,000	(102,635)	397,365
Retained profit for the year	-	(38,765)	(38,765)
Balance at 31 December 2002	500,000	(141,400)	358,600

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17. COMMITMENTS

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

	Land and buildings 2002	Other 2002	Land and buildings 2001	Other 2001
	£	£	£	£
Operating leases which expire:				
Within one year	-	22,875	-	7,346
In the second to fifth years inclusive	20,004	36,625	20,004	95,152
	20,004	59,500	20,004	102,498

Commitments under finance leases and hire purchase contracts.
The maturity of these amounts is as follows:

	2002	2001
	£	£
Amounts payable:		
Within one year (note 12)	2,590	2,590
In two to five years (note 13)	1,726	4,316
	4,316	6,906

18. PENSION SCHEME

The company operated a defined contribution pension scheme until August 2001 when it changed to a Group stakeholder pension scheme

The pension cost charge for the year represents contributions payable by the company to the fund amounting to £20,192 (2001 - £15,531).

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.

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