

REGISTERED NUMBER: 04132272

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007
FOR
I P G PHOTONICS (UK) LIMITED**

Wellers Accountants
Registered Auditor
Stuart House
55 Catherine Place
London
SW1E 6DY

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I P G PHOTONICS (UK) LIMITED

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For The Year Ended 31 December 2007**

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I P G PHOTONICS (UK) LIMITED
COMPANY INFORMATION
For The Year Ended 31 December 2007

DIRECTORS: T Mammen
C Vishowaty

SECRETARY: A Lopresti

REGISTERED OFFICE: Stuart House
55 Catherine Place
London
SW1E 6DY

REGISTERED NUMBER: 04132272

AUDITORS: Wellers Accountants
Registered Auditor
Stuart House
55 Catherine Place
London
SW1E 6DY

BANKERS: Barclays Bank plc
Barclays House
8 Alexandra Road
Wimbledon
London
SW19 7LA

I P G PHOTONICS (UK) LIMITED

REPORT OF THE DIRECTORS For The Year Ended 31 December 2007

The directors present their report with the financial statements of the company for the year ended 31 December 2007

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of Fibre Optic Technology

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 2007

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2007 to the date of this report

T Mammen
C Vishowaty

FINANCIAL INSTRUMENTS

The company's principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to raise funds for the company's operations and to finance the company's operations. Due to the nature of the financial instruments used by the company there is no exposure to risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made a charitable contributions of £Nil during the year (2006 - £3,000)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

I P G PHOTONICS (UK) LIMITED

**REPORT OF THE DIRECTORS
For The Year Ended 31 December 2007**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

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

ON BEHALF OF THE BOARD.



T Mammen - Director

Date 22 October 2008

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
I P G PHOTONICS (UK) LIMITED**

We have audited the financial statements of I P G Photonics (UK) Limited for the year ended 31 December 2007 on pages five to twelve. These financial statements have been prepared under 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page two.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements.



Wellers Accountants
Registered Auditor
Stuart House
55 Catherine Place
London
SW1E 6DY

Date 29 October 2008

I P G PHOTONICS (UK) LIMITED
PROFIT AND LOSS ACCOUNT
For The Year Ended 31 December 2007

	Notes	2007 £	2006 £
TURNOVER		616,711	809,969
Cost of sales		<u>395,027</u>	<u>544,519</u>
GROSS PROFIT		221,684	265,450
Administrative expenses		<u>305,059</u>	<u>301,991</u>
		(83,375)	(36,541)
Other operating income		<u>70,755</u>	<u>80,488</u>
OPERATING (LOSS)/PROFIT	3	(12,620)	43,947
Interest payable and similar charges	4	<u>-</u>	<u>861</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(12,620)	43,086
Tax on (loss)/profit on ordinary activities	5	<u>(2,326)</u>	<u>13,180</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>(10,294)</u>	<u>29,906</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the loss for the current year and the profit for the previous year

The notes form part of these financial statements

I P G PHOTONICS (UK) LIMITED

**BALANCE SHEET
31 December 2007**

	Notes	2007 £	2006 £
FIXED ASSETS			
Tangible assets	6	267	489
CURRENT ASSETS			
Debtors	7	202,007	130,136
Cash at bank and in hand		<u>165,053</u>	<u>89,084</u>
		367,060	219,220
CREDITORS			
Amounts falling due within one year	8	<u>222,873</u>	<u>64,961</u>
NET CURRENT ASSETS		<u>144,187</u>	<u>154,259</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>144,454</u>	<u>154,748</u>
CAPITAL AND RESERVES			
Called up share capital	10	100,000	100,000
Other reserves	11	111,940	111,940
Profit and loss	11	<u>(67,486)</u>	<u>(57,192)</u>
SHAREHOLDERS' FUNDS	14	<u>144,454</u>	<u>154,748</u>

The financial statements were approved by the Board of Directors on 27 October 2008 and were signed on its behalf by



T Mammen - Director

The notes form part of these financial statements

I P G PHOTONICS (UK) LIMITED

CASH FLOW STATEMENT
For The Year Ended 31 December 2007

	Notes	2007 £	2006 £
Net cash inflow/(outflow) from operating activities	1	75,969	(148,897)
Returns on investments and servicing of finance	2	-	(861)
Capital expenditure	2	-	(666)
		75,969	(150,424)
Financing	2	-	111,940
Increase/(Decrease) in cash in the period		<u>75,969</u>	<u>(38,484)</u>

**Reconciliation of net cash flow
to movement in net funds**

	3		
Increase/(Decrease) in cash in the period		<u>75,969</u>	<u>(38,484)</u>
Change in net funds resulting from cash flows		<u>75,969</u>	<u>(38,484)</u>
Movement in net funds in the period		<u>75,969</u>	<u>(38,484)</u>
Net funds at 1 January		<u>89,084</u>	<u>127,568</u>
Net funds at 31 December		<u>165,053</u>	<u>89,084</u>

The notes form part of these financial statements

I P G PHOTONICS (UK) LIMITED
NOTES TO THE CASH FLOW STATEMENT
For The Year Ended 31 December 2007

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

	2007	2006
	£	£
Operating (loss)/profit	(12,620)	43,947
Depreciation charges	222	177
(Increase)/Decrease in debtors	(69,545)	127,138
Increase/(Decrease) in creditors	<u>157,912</u>	<u>(320,159)</u>
Net cash inflow/(outflow) from operating activities	<u>75,969</u>	<u>(148,897)</u>

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

	2007	2006
	£	£
Returns on investments and servicing of finance		
Interest paid	-	(861)
Net cash outflow for returns on investments and servicing of finance	<u>-</u>	<u>(861)</u>
 Capital expenditure		
Purchase of tangible fixed assets	-	(666)
Net cash outflow for capital expenditure	<u>-</u>	<u>(666)</u>
 Financing		
Capital contribution	-	111,940
Net cash inflow from financing	<u>-</u>	<u>111,940</u>

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.07	Cash flow	At
	£	£	31.12.07
			£
Net cash			
Cash at bank and in hand	<u>89,084</u>	<u>75,969</u>	<u>165,053</u>
	<u>89,084</u>	<u>75,969</u>	<u>165,053</u>
 Total	<u>89,084</u>	<u>75,969</u>	<u>165,053</u>

The notes form part of these financial statements

I P G PHOTONICS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2007

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax. Sales are recognised upon delivery of goods

Tangible fixed assets

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

Computer equipment - 33% on cost

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

Leasing commitments

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Profit and Loss Account evenly over the contract period

2 STAFF COSTS

	2007	2006
	£	£
Wages and salaries	152,915	151,496
Social security costs	<u>15,356</u>	<u>17,506</u>
	<u>168,271</u>	<u>169,002</u>

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

	2007	2006
Administration	1	1
Selling	1	1
Research	<u>1</u>	<u>1</u>
	<u>3</u>	<u>3</u>

I P G PHOTONICS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2007**

3 OPERATING (LOSS)/PROFIT

The operating loss (2006 - operating profit) is stated after charging/(crediting)

	2007	2006
	£	£
Depreciation - owned assets	222	177
Auditors' remuneration	1,500	1,200
Foreign exchange differences	<u>1,078</u>	<u>(11,250)</u>

Directors' emoluments	<u>-</u>	<u>-</u>
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4 INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Loan interest	<u>-</u>	<u>861</u>

5 TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss on ordinary activities for the year was as follows

	2007	2006
	£	£
Deferred tax	<u>(2,326)</u>	<u>13,180</u>
Tax on (loss)/profit on ordinary activities	<u>(2,326)</u>	<u>13,180</u>

The deferred tax asset has arisen on accumulated trading losses

6 TANGIBLE FIXED ASSETS

	Computer equipment £
COST	
At 1 January 2007	
and 31 December 2007	<u>3,320</u>
DEPRECIATION	
At 1 January 2007	2,831
Charge for year	<u>222</u>
At 31 December 2007	<u>3,053</u>
NET BOOK VALUE	
At 31 December 2007	<u>267</u>
At 31 December 2006	<u>489</u>

I P G PHOTONICS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2007

7 DEBTORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£	£
Trade debtors	75,925	20,829
Amounts owed by group undertakings	98,026	83,808
VAT	-	635
Deferred tax asset	25,490	23,164
Prepayments and accrued income	<u>2,566</u>	<u>1,700</u>
	<u>202,007</u>	<u>130,136</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£	£
Trade creditors	17,986	14,697
Social security and other taxes	-	5,749
VAT	8,159	-
Other creditors	53	53
Amounts owed to group undertakings	161,293	15,963
Accrued expenses	<u>35,382</u>	<u>28,499</u>
	<u>222,873</u>	<u>64,961</u>

9 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Other operating leases	
	2007	2006
	£	£
Expiring		
Within one year	2,948	-
Between one and five years	<u>-</u>	<u>4,421</u>
	<u>2,948</u>	<u>4,421</u>

10 CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid			2007	2006
Number	Class	Nominal value	£	£
100,000	Ordinary	£1	<u>100,000</u>	<u>100,000</u>

I P G PHOTONICS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2007

11 RESERVES

	Profit and loss £	Other reserves £	Totals £
At 1 January 2007	(57,192)	111,940	54,748
Deficit for the year	<u>(10,294)</u>		<u>(10,294)</u>
At 31 December 2007	<u>(67,486)</u>	<u>111,940</u>	<u>44,454</u>

12 ULTIMATE PARENT COMPANY

The ultimate parent company during the current and previous year was IPG Photonics Corporation, incorporated in USA. On 12 December 2006 this company went public on the NASDAQ stock exchange.

13 RELATED PARTY DISCLOSURES

During the period sales were made to IPG Laser GmbH £99,287 (2006 - £179,836) and IPG Photonics Corporation £27,324 (2006 - £11,956). Purchases were made from IPG Laser GmbH of £303,833 (2006 - £505,008), IPG Fibertech Srl £14,047 (2006 - £33,301) and IPG Photonics Corporation £74,444 (2006 - £6,020).

Management charges were received from IPG Laser GmbH of £Nil (2006 - £8,617) and IPG Photonics Corporation £70,355 (2006 - £71,871).

Loan interest was paid to IPG Photonics Corporation of £Nil (2006 - £861).

All are group companies.

Management charges were paid to an associated company, IP Fibre Devices (UK) Limited, of £58,197 (2006 - £63,537).

At 31 December 2007, the balances owing by group companies were IPG Laser GmbH £21,514 (2006 - £17,724) and IPG Photonics Corporation £76,511 (2006 - £66,084). Balances owing to group companies were IPG Laser GmbH £117,726 (2006 - £7,788), IPG Photonics Corporation £43,569 (2006 - £Nil) and IPG Fibertech Srl £Nil (2006 - £8,175).

An amount of £8,393 (2006 - £12,119) was owing to IP Fibre Devices (UK) Limited.

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
(Loss)/Profit for the financial year	(10,294)	29,906
Capital contribution	<u>-</u>	<u>111,940</u>
Net (reduction)/addition to shareholders' funds	(10,294)	141,846
Opening shareholders' funds	<u>154,748</u>	<u>12,902</u>
Closing shareholders' funds	<u>144,454</u>	<u>154,748</u>

I P G PHOTONICS (UK) LIMITED
TRADING AND PROFIT AND LOSS ACCOUNT
For The Year Ended 31 December 2007

	2007		2006	
	£	£	£	£
Sales		616,711		809,969
Cost of sales				
Purchases		<u>395,027</u>		<u>544,519</u>
GROSS PROFIT		221,684		265,450
Other income				
Other income	400		-	
Management charges receivable	<u>70,355</u>		<u>80,488</u>	
		<u>70,755</u>		<u>80,488</u>
		292,439		345,938
Expenditure				
Rent, rates and services	55,396		60,638	
Insurance	6,903		8,024	
Light and heat	544		692	
Staff salaries	152,915		151,496	
Social security	15,356		17,506	
Telephone	2,658		2,516	
Printing and stationery	283		533	
Postage and carriage	566		1,012	
Travelling	5,787		5,759	
Motor expenses	6,525		6,004	
Training costs	32,951		38,962	
Computer costs	1,072		559	
Sundry expenses	826		3,652	
Professional charges	19,315		12,513	
Auditors' remuneration	1,500		1,200	
Foreign exchange differences	1,078		(11,250)	
Entertainment	70		858	
Bad debts	<u>150</u>		<u>1</u>	
		<u>303,895</u>		<u>300,675</u>
		(11,456)		45,263
Finance costs				
Bank charges	942		1,139	
Loan interest	<u>-</u>		<u>861</u>	
		<u>942</u>		<u>2,000</u>
		(12,398)		43,263
Depreciation				
Computer equipment		<u>222</u>		<u>177</u>
NET (LOSS)/PROFIT		<u>(12,620)</u>		<u>43,086</u>

This page does not form part of the statutory financial statements