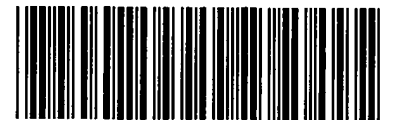


**I P G PHOTONICS (UK) LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**I P G PHOTONICS (UK) LIMITED**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	T Mammen C Vishowaty
<b>COMPANY SECRETARY</b>	A Lopresti
<b>REGISTERED NUMBER</b>	04132272
<b>REGISTERED OFFICE</b>	1 Vincent Square London SW1P 2PN
<b>INDEPENDENT AUDITORS</b>	Wellers Accountants & Statutory Auditor 1 Vincent Square London SW1P 2PN
<b>BANKERS</b>	Barclays Bank plc Barclays House 8 Alexandra Road Wimbledon London SW19 7LA

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**I P G PHOTONICS (UK) LIMITED**

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## IPG PHOTONICS (UK) LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

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#### INTRODUCTION

IPG Photonics (U.K.) Limited ("IPGUK") is a 100% subsidiary of IPG Photonics Corporation ("IPGP") a company incorporated in the United States of America and listed on the NASDAQ exchange. The company distributes and sells fiber lasers in the United Kingdom and Ireland manufactured by its affiliates in the United States, Germany and Italy. Fiber lasers are a relatively new generation of lasers comprised of semiconductor laser diodes which convert an electrical input into an optical output and which use fiber optic components and glass fibers to create the laser source. Each of these components is spliced together to create a monolithic device with no moving parts. Fiber lasers are more electrically efficient, productive, reliable, robust and smaller. In addition, they deliver a less divergent beam with higher power density than other laser technologies. These attributes enable users to process materials faster with improved quality. These lasers are rapidly gaining market share from legacy laser technologies that use gas and crystals to convert electrical energy into an optical output because of their lower cost of ownership and ease of use.

#### BUSINESS REVIEW

In 2014, fiber laser technology continued to gain market share from legacy laser technologies worldwide. As the cost of fiber technology has come down and the processing benefits of the technology have become more widely recognized the displacement of traditional laser technologies in applications such as metal cutting, welding, brazing, marking, engraving has accelerated. In addition newer laser processing technologies including cladding, laser sintering and ablation are starting to grow in volume. We estimate that the total market for fiber lasers increased by almost 200% from \$366 million in 2010 to approximately \$1.090 billion in 2014 and that fiber lasers share of the worldwide \$4.7 billion laser source market was about 23% as compared to 20% at the end of 2013.

Sales of fiber lasers in the U.K., which include devices sold directly by IPGUK and those shipped directly to our U.K. customers by our affiliates (on which IPGUK earns commission income), increased to approximately \$4,392,000 in 2014 from \$4,000,000 in 2013 or by approximately 10%.

Sales growth of fiber lasers is expected to continue in the future with fiber laser sales for industrial and non-industrial markets and applications. Based upon research by various 3rd party entities and IPG's own internal estimates, we estimate that the fiber laser market will increase at an average growth rate of approximately 15% through 2019 and that the total value of the market will be approximately \$2.2 billion by then. The growth will be driven primarily by further penetration of the core industrial applications such as cutting, welding and marking as fiber technology displaces legacy laser technologies such as CO2 and other solid state lasers, as well as from growth in the newer and more advanced laser applications which include deposition processes such as cladding and laser sintering and ablative processes such as paint stripping and cleaning. There are also emerging applications in heavy industry and oil and gas exploration which could drive fiber laser sales in the longer term. These include deep penetration welding and thick metal cutting in the construction, nuclear and oil and gas industries. While some of these applications are more speculative and only under development, if successfully qualified, they could represent significant future revenue opportunities in the longer term. Near term macro-economic concerns and uncertainty remain particularly in Europe and with potentially slower growth in China although this has not fundamentally impacted the growth of IPGP through the first three months of 2015 as IPGP's revenue has grown by more than 15% in the first quarter of 2014.

#### FINANCIAL KEY PERFORMANCE INDICATORS

In 2014, IPGUK's turnover for product sales and commissions increased by 43% to £927,000 from £646,000 in 2013. Turnover increased as both direct sales and commission on product shipped directly from our main manufacturing sites increased in 2014. As a result of the increase in revenue, gross profit increased to £339,000 in 2014 from £284,000 or by 19%. However, this increase was offset by an increase in administrative expenses in 2014 which increased by 22% in 2014 to £391,000 from £320,000 in 2013. Administrative expenses increased primarily due to higher automobile and accounting expenses as well as foreign currency transaction losses which increased due to the depreciation of Sterling in the last three months of the year. There were no additions to headcount during the year. The increase in administrative expenses net of amounts

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**I P G PHOTONICS (UK) LIMITED**

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**STRATEGIC REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2014**

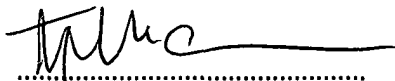
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recharged to corporate headquarters resulted in a decrease in operating profit which decreased to a loss of £ 9,000 in 2014 from an operating profit of £7,000 in 2013. Excluding the foreign exchange transaction losses operating profit increased to £22,000. In addition to the decrease in operating profit the company incurred exceptional expenses in 2014 of £907,000 related to amounts recharged to IPGUK by IPGP that related to the gain realized upon the exercise of stock options granted to employees of IPGUK. There was a substantial gain realized upon the exercise of these options because they were granted in 2004, 2005 and 2006 with a weighted average strike price of \$3.54 per share. When the options were exercised the fair market value of IPGP shares ranged between approximately \$68.00 and \$74.50 per share. This gain was invoiced to IPGUK by IPGP and reported as taxable compensation to the employees through PAYE. The gain was recharged to IPGUK in accordance with the Agreement on Stock Option Costs. The corresponding total amount recharged in 2013 was £ 1,283,000. As a result of these charges the profit on ordinary activities after tax was a loss of £ 910,000 for the year ended December 31, 2014 compared to a loss of £1,278,000 for the year ended December 31st, 2013.

During the year ended December 31, 2014 the share capital of IPG UK was increased by £ 1,461,000 by converting \$2,087,000 due by IPG UK to its parent company IPG Photonics Corporation into capital through the issuance of additional shares in IPGUK. However the loss for the current year decreased shareholder equity to a deficit of £623,000 as of 31st December 2014 even after the increase in capital described above. The deficit primarily related to the accounts payable due to our parent company in relation to the stock compensation amounts charged to the company. As a result the current and quick ratios were less than zero as of the end of the year. However, our parent company has agreed to a further increase in the Company's share capital by agreeing to convert the current accounts payable due to them of \$1,407,000 at an exchange rate of \$1.4623. In addition, IPG Photonics has invested an additional \$192,000 in IPG UK. As a result of these transactions, the issued share capital of the company will be increased to 2,655,770 £ 1.00 shares. If the aforementioned increase in capital is treated as if it had been caused to take place as of the end of the December 31, 2014, we estimate that shareholder equity would increase from the deficit described above to a surplus of approximately £300,000 as of December 31, 2014. As a result the current and quick ratios would increase to more than 2.0 times and demonstrate that the company has sufficient liquidity to meet its current obligations. As a result of the agreed increase in capital, we believe that the financial and liquidity position of the Company is stable even though the operating performance deteriorated during the year. In addition, the IPGUK's parent company IPGP is committed to continued support for IPGUK and intends to invest further in the sales, service and administrative structure of the company in order to grow U.K. sales at a faster rate.

As a result of the taxable compensation incurred in relation to the gain from the exercise of stock options, the Company has a loss carry forward of approximately £2,155,000 which is available to reduce future taxable income. A valuation allowance has been provided against the deferred tax asset associated with these losses.

This report was approved by the board and signed on its behalf.



.....  
**T Mammen**  
**Director**

Date: 31/7/2015

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**I P G PHOTONICS (UK) LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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The directors present their report and the financial statements for the year ended 31 December 2014.

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Strategic report, the Directors' report and 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

**RESULTS**

The loss for the year, after taxation, amounted to £909,933 (2013 - loss £1,277,613).

**DIRECTORS**

The directors who served during the year were:

T Mammen  
C Vishowaty

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## IPG PHOTONICS (UK) LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

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#### ENVIRONMENTAL MATTERS

The company's products are recognized as being environmentally friendly. IPG's fiber lasers' electrical efficiency is now up to 45% for the most efficient devices as compared to between 2% and 17% for legacy laser technologies. IPG's fiber lasers consume significantly less electricity when employed in industrial and other applications than traditional lasers. In addition fiber lasers consume fewer gases such as helium, CO<sub>2</sub>, oxygen and argon than traditional lasers when cutting and welding different types of materials. Fiber lasers are also replacing environmentally less friendly processes such as printing with inks or engraving, etching and cleaning with chemicals, solvents and media blast.

#### 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 and maintain funds for and finance the company's operations. Due to the short term nature of the financial instruments used by the company we believe there is a very limited exposure to risk. The company's approach to managing risks applicable to the financial instruments concerned is discussed below.

In respect of bank balances the liquidity risk is managed by ensuring the company is adequately capitalized, generates a profit on sales of product, manage expenses to match the level of activity and by balancing the extension of credit terms to customers with the payment terms obtained from suppliers to ensure a continuity of funding. In addition, bank accounts are maintained at and funds deposited with financial institutions that we believe constitute a low credit risk. Historically, we have also obtained short term funding and permanent increases in capital from our parent company IPG Photonics Corporation (NASDAQ: IPGP) such as the one described above to either finance short term liquidity requirements or finance losses from the trading operations.

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 and by negotiating extended credit terms with suppliers.

#### DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### AUDITORS

The auditors, Wellers, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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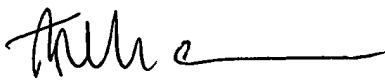
I P G PHOTONICS (UK) LIMITED

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DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2014

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This report was approved by the board and signed on its behalf.



.....  
**T Mammen**  
Director

Date: 31/7/2015



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## I P G PHOTONICS (UK) LIMITED

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

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We have audited the financial statements of I P G Photonics (UK) Limited for the year ended 31 December 2014, set out on pages 8 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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I P G PHOTONICS (UK) LIMITED

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

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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Andrew Dore (Senior statutory auditor)  
for and on behalf of

**Wellers**

Accountants

Statutory Auditor

1 Vincent Square

London

SW1P 2PN

Date: 13/8/2015

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**I P G PHOTONICS (UK) LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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	Note	2014 £	2013 £
<b>TURNOVER</b>	1,2	<b>927,010</b>	<b>646,300</b>
Cost of sales		<u>(587,620)</u>	<u>(361,912)</u>
<b>GROSS PROFIT</b>		<b>339,390</b>	<b>284,388</b>
Administrative expenses		<b>(391,173)</b>	<b>(320,467)</b>
Other operating income	3	<u>42,415</u>	<u>43,299</u>
<b>OPERATING (LOSS)/PROFIT</b>	4	<b>(9,368)</b>	<b>7,220</b>
<b>EXCEPTIONAL ITEMS</b>			
Other exceptional items	8	<u>(907,816)</u>	<u>(1,283,269)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(917,184)</b>	<b>(1,276,049)</b>
Tax on loss on ordinary activities	9	<u>7,251</u>	<u>(1,564)</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>	15	<u><b>(909,933)</b></u>	<u><b>(1,277,613)</b></u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account.

The notes on pages 10 to 16 form part of these financial statements.

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I P G PHOTONICS (UK) LIMITED  
REGISTERED NUMBER: 04132272

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**BALANCE SHEET**  
**AS AT 31 DECEMBER 2014**

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	Note	2014		2013	
		£	£	£	£
<b>CURRENT ASSETS</b>					
Stocks	11	82		-	
Debtors	12	115,425		93,028	
Cash at bank and in hand		294,963		676,830	
		<u>410,470</u>		<u>769,858</u>	
<b>CREDITORS: amounts falling due within one year</b>					
	13	<u>(1,034,005)</u>		<u>(1,733,460)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(623,535)</u>		<u>(963,602)</u>
<b>NET LIABILITIES</b>			<u>(623,535)</u>		<u>(963,602)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		1,561,940		100,000
Other reserves	15		-		211,940
Profit and loss account	15		<u>(2,185,475)</u>		<u>(1,275,542)</u>
<b>SHAREHOLDERS' DEFICIT</b>			<u>(623,535)</u>		<u>(963,602)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



.....  
**T Mammen**  
Director

Date: 31/12/2015

The notes on pages 10 to 16 form part of these financial statements.

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**I P G PHOTONICS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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**1. ACCOUNTING POLICIES**

**1.1 Basis of preparation of financial statements**

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

**1.2 Going concern**

The accounts have been prepared on the going concern basis, on the understanding that the company will continue to receive the support of its parent company for the foreseeable future. This support has been confirmed by the directors of the parent company.

**1.3 Cash flow**

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

**1.4 Turnover**

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Income from the sale of fibre optic technology is recognised when legal title has passed to the customer (end user).

**1.5 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Computer equipment                      -     33% straight line

**1.6 Stocks**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

**1.7 Foreign currencies**

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

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

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**I P G PHOTONICS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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**2. TURNOVER**

A geographical analysis of turnover is as follows:

	2014 £	2013 £
United Kingdom	677,422	419,553
Rest of European Union	249,588	226,747
	<u>927,010</u>	<u>646,300</u>

**3. OTHER OPERATING INCOME**

	2014 £	2013 £
Management charges receivable	42,415	43,299
	<u>42,415</u>	<u>43,299</u>

**4. OPERATING (LOSS)/PROFIT**

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

	2014 £	2013 £
Foreign exchange differences	27,075	(21,669)
	<u>27,075</u>	<u>(21,669)</u>

During the year, no director received any emoluments (2013 - *ENIL*).

**5. AUDITORS' REMUNERATION**

	2014 £	2013 £
Fees payable to the company's auditor for the audit of the company's annual accounts	6,500	4,000
Fees payable to the company's auditor and its associates in respect of:		
Taxation compliance services	2,200	-
All other non-audit services not included above	5,900	-
	<u>14,600</u>	<u>4,000</u>

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**I P G PHOTONICS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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**6. STAFF COSTS**

Staff costs were as follows:

	2014 £	2013 £
Wages and salaries	229,265	232,526
Social security costs	25,649	29,026
	<u>254,914</u>	<u>261,552</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2014 No.	2013 No.
Administration	1	1
Sales & Research	3	3
	<u>4</u>	<u>4</u>

**7. SHARE BASED PAYMENTS**

During the year an employee of the company exercised options to acquire shares of the parent company. The exercise price for the options was \$3.54 per share. The number of shares acquired and their average market value at the date the options were exercised were:

6,667 shares at \$68.14  
14,210 shares at \$74.27

**8. EXCEPTIONAL ITEMS**

	2014 £	2013 £
Equity compensation	<u>907,816</u>	<u>1,283,269</u>

**SHARE BASED PAYMENTS**

The exceptional item relates to the total cost of 20,877 share options over shares of the parent company exercised by the employees of IPG Photonics UK Ltd during the year. IPG Photonics UK Ltd agreed to indemnify the parent company in respect of the cost of options exercised.

**I P G PHOTONICS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**9. TAXATION**

	2014 £	2013 £
<b>Analysis of tax (credit)/charge in the year</b>		
<b>Current tax (see note below)</b>		
UK corporation tax (credit)/charge on loss for the year	(7,252)	-
<b>Deferred tax</b>		
Tax liability on disallowed expenses	1	1,564
<b>Tax on loss on ordinary activities</b>	<u>(7,251)</u>	<u>1,564</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2013 - *lower than*) the standard rate of corporation tax in the UK of 21% (2013 - 23%). The differences are explained below:

	2014 £	2013 £
Loss on ordinary activities before tax	<u>(917,184)</u>	<u>(1,276,049)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2013 - 23%)	(192,609)	(293,491)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	96	220
Unrelieved tax losses carried forward	185,261	293,271
<b>Current tax (credit)/charge for the year (see note above)</b>	<u>(7,252)</u>	<u>-</u>

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

The company has £2,157,660 of unused tax losses which are being carry forward to use in future periods.



**I P G PHOTONICS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**10. TANGIBLE FIXED ASSETS**

	<b>Office equipment £</b>
<b>Cost</b>	
At 1 January 2014 and 31 December 2014	<u>3,320</u>
<b>Depreciation</b>	
At 1 January 2014 and 31 December 2014	<u>3,320</u>
<b>Net book value</b>	
At 31 December 2014	<u>-</u>
At 31 December 2013	<u>-</u>

**11. STOCKS**

	<b>2014 £</b>	<b>2013 £</b>
Finished goods and goods for resale	<u>82</u>	<u>-</u>

**12. DEBTORS**

	<b>2014 £</b>	<b>2013 £</b>
Trade debtors	101,286	87,992
Amounts owed by group undertakings	300	300
Other debtors	10,552	3,300
Prepayments and accrued income	3,287	1,436
	<u>115,425</u>	<u>93,028</u>

**13. CREDITORS:  
Amounts falling due within one year**

	<b>2014 £</b>	<b>2013 £</b>
Trade creditors	981,680	1,113,311
Other taxation and social security	9,977	11,801
Other creditors	6,462	173,187
Accruals and deferred income	35,886	435,161
	<u>1,034,005</u>	<u>1,733,460</u>

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I P G PHOTONICS (UK) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014

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14. SHARE CAPITAL

	2014 £	2013 £
<b>Allotted, called up and fully paid</b>		
1,561,940 (2013 - 100,000) Ordinary shares of £1 each	<u>1,561,940</u>	<u>100,000</u>

During the financial year 1,461,940 shares of £1 each were issued at par value and were fully paid up.

15. RESERVES

	Other reserves £	Profit and loss account £
At 1 January 2014	211,940	(1,275,542)
Loss for the year		(909,933)
Movement on other reserves	(211,940)	
At 31 December 2014	<u>-</u>	<u>(2,185,475)</u>

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2014 £	2013 £
Opening shareholders' (deficit)/funds	(963,602)	314,011
Loss for the financial year	(909,933)	(1,277,613)
Shares issued during the year	1,461,940	-
Movement on other reserves	(211,940)	-
Closing shareholders' deficit	<u>(623,535)</u>	<u>(963,602)</u>

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**I P G PHOTONICS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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**17. RELATED PARTY TRANSACTIONS**

The company is a fully owned subsidiary of IPG Photonics Corporation (USA), in addition to related party transactions with the parent company, the company also traded with other fully owned subsidiaries of the parent company, the following companies traded with IPG Photonics (UK) Limited during the year under review:

IPG Laser GmbH (Germany)  
IPG Fibertech S.r.l. (Italy)

During the period sales were made to IPG Laser GmbH £249,588 (2013 - £226,270).

Purchases were made from IPG Photonics Corporation £76,612 (2013 - £3,800), IPG Laser GmbH of £505,138 (2013 - £351,533) and IPG Fibertech Srl £3,293 (2013 - £366).

Management charges were received from IPG Photonics Corporation £42,415 (2013 - £43,299).

At 31 December 2013, the balances owing by group companies were:

IPG Laser GmbH £24,104 (2013 - 18,271)

Balances owing to group companies were:

IPG Laser GmbH £202,490 (2013 - £25,036)

IPG Photonics Corporation £717,404 (2013 - £1,107,334)

**18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The ultimate parent company throughout the current and previous year was IPG Photonics Corporation, a public listed company in the USA. In the view of the directors, there is no ultimate controlling party for this or the previous year.

The ultimate parent company of the group, IPG Photonics Corporation (USA) prepares consolidated financial statements, which are publicly available from the company's website. These financial statements include the results of IPG Photonics (UK) Limited.