Registered number: 00542141

Carl Zeiss Limited
Annual report and financial statements
for the year ended 30 September 2021

Carl Zeiss Limited

Company information

Directors	P Adderley F Heller J Peter
Company secretary	D Spencer
Registered number	00542141
Registered office	Zeiss House 1030 Cambourne Business Park Cambourne Cambridge CB23 6DW
Independent auditor	Ernst & Young LLP One Cambridge Business Park Cambridge CB4 0WZ

Carl Zeiss Limited

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Carl Zeiss Limited

Strategic report
for the year ended 30 September 2021

The directors present their Strategic report of the company for the year ended 30 September 2021.

Business review

The principal activities of the company are the marketing, sale, distribution and after sales support across the United Kingdom, for goods and services available from the Carl Zeiss Group worldwide.

The company provides a wide range of products and business solutions to customers in the UK and Ireland, across multiple market segments. These include healthcare, academia and scientific research, precision manufacturing, nanotechnology and a range of consumer and professional imaging products.

This report highlights past performance of the company over the past 12 months.

Results

The improvement in levels of economic activity visible in September 2020 continued into the year under review. Though restrictions affecting unfettered commercial activity due to COVID remained in place for a large part of the year, the success of the national vaccination program and changes made to working practices in light of the pandemic, proved very effective in mitigating risk to most areas of the business.

An EU-UK Trade and Cooperation Agreement was concluded at the end of December, setting out preferential arrangements in areas such as trade in goods and in services and the UK formally withdrew from the EU on 31 January 2020.

In anticipation of expected supply chain disruption, improvements and contingencies were made with respect to supply chain and inventory management prior to this date. Again, these proved to be effective in mitigating risk to the business.

Key performance indicators

	Year ended 30 September 2021	Year ended 30 September 2020
Revenue (£'000)	**99,830**	70,804
Trade receivables in revenue (%)	**14**	21
Inventory in revenue (%)	**9**	8
Headcount	**242**	250

The directors consider the key performance indicators (KPIs) of the company to be revenue, trade receivables in revenue and inventory in revenue and regularly monitor these against the budget and prior year.

Principal risks and uncertainties

Competitive risk:

This is ameliorated by the Carl Zeiss corporate policy of continuous product development, investment in new technologies and company acquisitions. This is backed up in the UK market by the provision of added value service to our customers, providing fast response times and a close business relationship.

Financial risk:

Financial risk is primarily through exchange rate exposure and customer credit exposure. Purchase contracts are primarily invoiced in sterling, with risk largely covered by the German parent company offsetting purchases made in Sterling against Sterling income. Credit risk is minimised by granting credits to the guidelines of appropriate Customer Credit Rating Tools and the regular review thereof, coupled with robust debtor management policy.

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the company. The company is also party to group cash pool arrangements.

Cash flow risk:

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variable rate debt.
The company does not consider this to be a significant risk.

Section 172(1) Statement

In 1846, Carl Zeiss opened a workshop for precision mechanics and optics in Jena, Germany and this year we celebrate the company's 175th Anniversary.

As far back as 1889 with the formation of the Carl Zeiss foundation, the company recognised that business success is directly linked to corporate responsibility. The Carl Zeiss Foundation is based on the principles of the promotion of science and research, the economic safeguarding of ZEISS and a responsibility for employees. This culture underpins the ZEISS Code of Conduct and describes how the board conducts its business and decision-making processes.

The ZEISS group 'agenda' strategic framework forms a basis for the company's priorities and regular business reviews with senior management ensure focus on the business priorities and governance topics required to meet its strategic objectives and maintain the ZEISS Brand reputation.

The board is committed to ongoing professional development, including compliance and governance training, ensuring that directors and senior management are equipped with the skills and understanding required to achieve the company's strategic and corporate responsibility goals.

Stakeholder Engagement

Building networks is an important part of our strategy and we recognize the value in building strong relationships with our key stakeholder groups.

The #agenda25 forms the basis of the group's five-year strategy, which shapes the company's strategic priorities. The board works collaboratively with management to ensure strategic priorities are effectively communicated and that the appropriate systems are in-place to deliver these.

The board recognises that all team members in the company form a key part of its success and invests in attracting, developing and retaining talent. The board encourages a culture of feedback and trust and actively involves employees in decision-making through working groups and surveys.

The ZEISS Code of Conduct describes the principles of how we behave and how we conduct our business.

The directors represent a balanced perspective of the company's varied customer requirements. This coupled with robust processes for market trend analysis, product development and customer support, results in the company being well placed to adapt to customer needs in a dynamic market.

The company places an emphasis on its business resilience, which has proved a key strength during the COVID-19 pandemic and preparations for the UK leaving the EU. Our suppliers are actively managed at both the strategic and operational levels in a partnership approach.

Employee volunteers were engaged to define an agile working policy. This policy reflected the fact that COVID-19 enforced a change to working practises and recognised the flexibility demonstrated by ZEISS employees during the last few years. After surveying the employees the policy was developed and implemented giving employees the requested flexibility.

The board engages with the local community and the company has a strong history in social responsibility, continuing to strive to conduct all its business in an ethical and sustainable manner.

This report was approved by the board on 28/04 2022 and signed on its behalf by:.

P.J. Adderley

P Adderley
Director

Carl Zeiss Limited

Directors' report
for the year ended 30 September 2021

The directors present their report and the audited financial statements of the company for the year ended 30 September 2021.

Results and dividends

The profit for the year, after taxation, amounted to £6,436,000 (2020: £3,665,000).

Dividends of £nil were paid during the year (2020: £2,998,000).

Subsequent to the year end the directors recommended the payment of a final dividend of £4,000,000 (2020: £nil).

Future developments

The strength and depth of the portfolio of goods and services we offer is well aligned with Global Megatrends. The resilience demonstrated during the recent pandemic, together with the ZEISS group's continued investment in research and development is expected to continue strengthening the company position in future years.

Going concern

The company's business activity, together with the factors likely to affect its future development and position are set out in the Strategic report.

The company has prepared a cash flow forecast for the period to 30 April 2023, being the going concern review period. The cash flow forecast alongside support provided by the company's parent demonstrates that the company is able to settle its liabliities as they fall due in the review period.

The company's parent undertaking (Carl Zeiss AG) has confirmed that it will provide such financial support and other support as necessary to enable the company to meet its liabilities for the period to 30 April 2023. As set out in note 26, the smallest and largest group in which the results of the company are consolidated is that headed by Carl Zeiss AG. The directors have a reasonable expectation that the Carl Zeiss group has adequate resources and liquidity to continue in operational existence for the review period. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Post balance sheet events

The invasion of Ukraine by Russia on 24 February 2022 has led to significant sanctions against Russia.

The company has no ongoing exposures to, or investments in, Russian-related interests, and the conflict is not expected to have any impact on the company at this time.

Directors' report (continued)
for the year ended 30 September 2021

Streamlined energy and carbon reporting statement

Carl Zeiss Ltd shares the building at 1030 Cambourne Business Park with Carl Zeiss Microscopy Ltd, a manufacturer of Electron Microscopes. The electricity and gas is paid by Carl Zeiss Microscopy Ltd. Carl Zeiss Ltd has historically occupied 34% of the floor space but followed the Government's recommendations for employees to work from home if they were able to.

The below figures show the energy usage for the Cambourne building as a whole. For the intensity ratio, 34% of the Cambourne building usage has been included, in the absence of any more accurate figure.

The emissions and energy data as detailed has been calculated using the methodology set out in the Government GHG conversion factors for company reporting: methodology paper for emission factors' published by the Department for Business, Energy & Industrial Strategy. 2019/2020 used the 2020 conversion factors and 2020/21 used the 2021 conversion factors.

The company issues a fuel card to drivers with a non-plugin lease car. Drivers with a plugin car recover the fuel cost at the fuel scale rate via the expenses process. Pre April 2017 starters are contractually entitled to opt for a car allowance instead of a company car and recover the fuel cost at the fuel scale rate via the expenses process. Fuel costs paid by the employee and recovered via the expenses process are not included in this SECR report. Most employees with a fuel card pay Zeiss for private mileage, that payment is excluded from the below calculations.

The company's sustainability initiatives are within the overall framework of the Carl Zeiss Group Sustainability programme, details of which are available on the group's website. During the year, the company has implemented the following carbon reduction initiatives:

- Improvements to the Heating, Ventilation and Air-conditioning (HVAC) system
- Balancing and associated works on the Fan coil units (FCUs) at a capital cost of circa £0.6m.

Heating, ventilation and cooling represents a major driver of the company's electricity and gas consumption. It is expected that the above-mentioned initiatives will lead to energy savings of circa 10% of the company's electricity consumption and circa 18% of the gas consumption, for the Cambourne building.

Directors' report (continued)
for the year ended 30 September 2021

Streamlined energy and carbon reporting statement (continued)

Utility and scope				
Cambourne				
Grid-supplied electricity		2020/21 Consumption (MWh)	Conversion factor	2020/21 Consumption (kg of CO2e)
(scope 2)	Coal	39.53	320.2	12,658
	Natural gas	449.04	183.16	82,246
	Nuclear	50.6	0	-
	Renewable	218.99	0	-
	Other	32.41	212.33	6,882
Gaseous (scope 1)		985.89	183.16	180,576
Cambourne				
Grid-supplied electricity		2019/20 Consumption (MWh)	Conversion factor	2019/20 Consumption (kg of CO2e)
(scope 2)	Coal	46.21	316.66	14,633
	Natural gas	523.97	183.87	96,342
	Nuclear	59.04	0	-
	Renewable	255.53	0	-
	Other	37.82	233.14	8,817
Gaseous (scope 1)		527.79	183.87	97,045
Rugby				
Grid-supplied electricity		2020/21 Consumption (MWh)	Conversion factor	2020/21 Consumption (kg of CO2e)
(scope 2)	Coal	5.64	320.2	1,806
	Natural gas	64.29	183.16	11,775
	Nuclear	7.31	0	-
	Renewable	70.54	0	-
	Other	4.57	212.33	970
Gaseous (scope 1)		93.34	183.16	17,096
Rugby				
Grid-supplied electricity		2019/20 Consumption (MWh)	Conversion factor	2019/20 Consumption (kg of CO2e)
(scope 2)	Coal	10.96	316.66	3,471
	Natural gas	77.32	183.87	14,217
	Nuclear	21.88	0	-
	Renewable	43.72	0	-
	Other	4.9	233.14	1,142
Gaseous (scope 1)		134.39	183.87	24,710
Driver Fuel Card Fuel		2020/21 Consumption (Litres)	Conversion factor	2020/21 Consumption (kg of CO2e)
Scope 1	Petrol	73092.7	2.19352	160,330
	Diesel	123316.77	2.51233	309,812
Driver Fuel Card Fuel		2019/20 Consumption (Litres)	Conversion factor	2019/20 Consumption (kg of CO2e)
Scope 1	Petrol	60214.06	2.16802	130,545
	Diesel	160191.8	2.54603	407,853
Total (kg of CO2e) 2020/21				597,793
Total (kg of CO2e) 2019/20				655,663
Sales 2020/21				99,830
Sales 2019/20				70,804
Intensity Ratio: kg of CO2e per total £m sales revenue 2020/21				6.0
Intensity Ratio: kg of CO2e per total £m sales revenue 2019/20				9.3

Financial instruments

The company finances its activities with cash. Other financial assets and liabilities, such as trade debtors and trade creditors arise directly from the company's operating activities.

Financial instruments give rise to foreign currency risk, credit risk and liquidity risk. Information on company management of these risks can be found in the Strategic report.

Directors' report (continued)
for the year ended 30 September 2021

Directors

The directors who held office during the year and up to the date of signing the financial statements unless otherwise noted, were:

P Adderley
F Heller
J Peter

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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;
- state whether applicable UK Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

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.

Qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the 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 auditor is aware of that information.

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Carl Zeiss Limited

Directors' report (continued)
for the year ended 30 September 2021

This report was approved by the board on 28/04 2022 and signed on its behalf.

P.J. Adderley

P Adderley
Director

Independent auditor's report to the members of Carl Zeiss Limited

We have audited the financial statements of Carl Zeiss Limited for the year ended 30 September 2021 which comprise the Profit and Loss account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 30 April 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditor's report to the members of Carl Zeiss Limited

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained in the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Independent auditor's report to the members of Carl Zeiss Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 101, Companies Act 2006, direct and indirect tax compliance regulations. In addition, the company has to comply with health and safety regulations, employment laws, data protection and anti-bribery and corruption laws.

• We understood how the company is complying with those frameworks by making enquiries of management to understand how company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of Board minutes, review of correspondence with relevant authorities, as well as consideration of the results of our audit procedures across the company to either corroborate our findings or provide contrary evidence which was followed up.

• We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding which areas of the business present potential fraud risk areas (through assessing the presence of opportunities, incentives or potential rationalisation to commit such acts of fraud), understanding where these risks could present themselves and subsequently identifying the process level controls in place to prevent, or detect and correct them. Combining this with our review of entity level controls, which have evidenced management's behaviour and the culture embedded within the company, we have gained a detailed understanding of the overall susceptibility to fraud.

Independent auditor's report to the members of Carl Zeiss Limited

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included: detailed journal entry testing, with a focus on manual journals for identified fraud risks, corroborating balances where necessary to underlying supporting documentation. We also challenged assumptions and judgements made by management by reviewing third party evidence wherever possible and leveraged our data analytics platform in performing our work on revenue recognition in identifying higher risk transactions for testing. The results of these procedures did not identify any such instances of irregularities, including fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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 auditor's 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.

Ernst & Young LLP

Rachel Wilden (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory auditor
Cambridge, United Kingdom
Date: 08 April 2022

Carl Zeiss Limited

Profit and loss account for the year ended 30 September 2021

	Note	2021 £000	2020 £000
Turnover	4	**99,830**	70,804
Cost of sales		**(74,201)**	(49,592)
Gross profit		**25,629**	21,212
Distribution costs		**(732)**	(480)
Administrative expenses		**(16,917)**	(16,061)
Operating profit	5	**7,980**	4,671
Interest receivable and similar income	8	**12**	31
Interest payable and similar expenses	9	**(88)**	(103)
Other finance expense	10	**(149)**	(93)
Profit before tax		**7,755**	4,506
Tax on profit	11	**(1,319)**	(841)
Profit for the financial year		**6,436**	3,665

The notes on pages 18 to 45 form part of these financial statements.

Carl Zeiss Limited

Statement of comprehensive income for the year ended 30 September 2021

	Note	2021 £000	2020 £000
Profit for the financial year		**6,436**	3,665
Other comprehensive income/(loss):			
Actuarial gain/(loss) on defined benefit schemes	23	**11,077**	(4,827)
		11,077	(4,827)
Deferred tax on defined benefit scheme	19	**(2,301)**	994
Total comprehensive income/(loss) for the year		**15,212**	(168)

The notes on pages 18 to 45 form part of these financial statements.

Carl Zeiss Limited

Registered number:00542141

Balance sheet
as at 30 September 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Tangible assets	13		**5,563**		6,044
			5,563		6,044
Current assets					
Stocks	14	**8,569**		5,612	
Debtors: amounts falling due after more than one year	15	**803**		3,033	
Debtors: amounts falling due within one year	15	**47,813**		33,047	
Cash at bank and in hand		**187**		450	
		57,372		42,142	
Creditors: amounts falling due within one year	16	**(32,810)**		(23,271)	
Net current assets			**24,562**		18,871
Total assets less current liabilities			**30,125**		24,915
Creditors: amounts falling due after more than one year	17		**(9,399)**		(9,337)
			20,726		15,578
Provisions for liabilities					
Provisions	20		**(1,392)**		(926)
Deferred tax	19		**(199)**		-
Pension asset/(liability)	23		**530**		(10,199)
Net assets			**19,665**		4,453
Capital and reserves					
Called up share capital	22		**1,570**		1,570
Retained earnings			**18,095**		2,883
Total equity			**19,665**		4,453

Carl Zeiss Limited

Registered number:00542141

Balance sheet (continued)
as at 30 September 2021

The notes on pages 18 to 45 form an integral part of these financial statements.

The financial statements on pages 13 to 45 were approved and authorised for issue by the board and were signed on its behalf on

P.J. Add

P Adderley
Director

28/04/22

Carl Zeiss Limited

Statement of changes in equity for the year ended 30 September 2021

	Called up share capital £000	Retained earnings £000	Total equity £000
At 1 October 2019	1,570	6,049	7,619
Profit for the financial year	-	3,665	3,665
Actuarial loss on pension scheme	-	(4,827)	(4,827)
Deferred tax on defined benefit scheme	-	994	994
Total comprehensive loss for the year	-	(168)	(168)
Dividends	-	(2,998)	(2,998)
At 1 October 2020	1,570	2,883	4,453
Profit for the financial year	-	6,436	6,436
Actuarial gain on pension scheme	-	11,077	11,077
Deferred tax on defined benefit scheme	-	(2,301)	(2,301)
Total comprehensive gain for the year	-	15,212	15,212
At 30 September 2021	1,570	18,095	19,665

The notes on pages 18 to 45 form part of these financial statements.

Retained earnings refer to the amount of net earnings, less amounts paid out as dividends, retained by the company to be reinvested in its core business.

1. General information

The principal activity of Carl Zeiss Limited ("the company") is the sale, distribution and servicing in the United Kingdom of optical products and scientific and analytical instrumentation.

The company has prepared its financial statements in sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Zeiss House, 1030 Cambourne Business Park, Cambourne, Cambridge, CB23 6DW.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention, in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - paragraph 39(c) of IAS 1 'comparative information requirements in respect of the beginning of the earliest comparative period';
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 'Property, plant and equipment';
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 134 to 136 (capital management disclosures);
  - 16 (statement of compliance with all IFRS);
  - 38B - D (additional comparative information)
- IAS 7 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but not yet effective);
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement'

2. **Summary of significant accounting policies (continued)**

2.1 Basis of preparation of financial statements (continued)

- Paragraph 17 of IAS 24 'Related party disclosures' (key management compensation);
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group which are wholly owned within the group;
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of assets;
- The following paragraphs of IFRS 15:
  - second sentence of paragraph 110;
  - paragraph 113(a);
  - paragraphs 114,115,118;
  - paragraphs 119(a) to (c);
  - paragraphs 120 to 127;
  - paragraphs 129;
- Paragraph 52, 58, 90, 91, 93 and second sentence of paragraph 89 of IFRS 16.

For the purposes of FRS 101 reduced disclosure exemptions, equivalent disclosures are included in the publicly available consolidated financial statements of Carl Zeiss AG. See note 26 for details.

2.2 Going concern

The company's business activity, together with the factors likely to affect its future development and position are set out in the Strategic report.

The company has prepared a cash flow forecast for the period to 30 April 2023, being the going concern review period. The cash flow forecast alongside support provided by the company's parent demonstrates that the company is able to settle its liabliities as they fall due in the review period.

The company's parent undertaking (Carl Zeiss AG) has confirmed that it will provide such financial support and other support as necessary to enable the company to meet its liabilities for the period to 30 April 2023. As set out in note 26, the smallest and largest group in which the results of the company are consolidated is that headed by Carl Zeiss AG. The directors have a reasonable expectation that the Carl Zeiss group has adequate resources and liquidity to continue in operational existence for the review period. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Notes to the financial statements for the year ended 30 September 2021

2. Summary of significant accounting policies (continued)

2.3 New standards, amendments and IFRIC interpretations

Amendments to IFRSs that are mandatorily effective for the current year:

In the current year, the company has applied the following amendments to adopted IFRSs that are mandatorily effective for an accounting period that begins on or after 1 October 2019. The adoption of which has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to IFRS 3, *Business combinations;*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest rate benchmark reform - Phase 1;*
- Amendments to IAS 1 and IAS 8 on the definition of materials;
- Annual Improvements to IFRS Standards 2015-2017 Cycle; and
- Amendment to IFRS 16, *'Leases' - Covid-19 related rent concessions.*

New and revised IFRSs in issue but not yet effective:

At the date of authorisation of these financial statements, the company has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 17, *Insurance Contracts*;
- Amendments to IAS 1, *Presentation of financial statements on classification of liabilities;*
- Amendments to IFRS 3, *Definition of a Business;*
- Amendments to IFRS 3, IAS 16 and IAS 37, *Annual improvements*; and
- Amendment to IAS 8, *Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the company in future periods.

2. Summary of significant accounting policies (continued)

2.4 Turnover

Revenue was generated from products, system solutions, technical and other services for biomedical research, the medical technology, automotive and mechanical engineering industries and high-end consumer articles such as camera and cine lenses and binoculars.

The company recognises revenue when control over the distinct goods and services is transferred to the customer, i.e. as soon as the customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from the goods or services transferred. The recognition of revenue requires a contractual agreement that creates legally enforceable rights and obligations. The amount of revenue recognised is the expected consideration to which the company is contractually entitled. Where required, revenue is adjusted for variable price components such as cash discounts, price reductions, customer bonuses and rebates.

Revenue from the sale of goods is recognised when control is transferred to the customer, which is normally when the goods are delivered. Revenue from services is recognised over the period in which the service is provided because the customer simultaneously receives and consumes the benefits. The sale of assurance-type warranty, beyond the initial warranty period, is treated as a separate performance obligation and the revenue is recognised over the contractually agreed warranty period.

If a single contract with a customer comprises several performance obligations (normally the delivery of a product and related services), the agreed transaction price is allocated to the separate performance obligations in accordance with the relative stand-alone selling prices.

2.5 Leases

IFRS 16 Leases requires lessees to recognise all leases in the form of a right-of-use asset and corresponding lease liability. The lease liability is measured at the present value of the outstanding lease payments This is presented in the profit and loss account as a financing transaction. Consequently, the right-of-use asset must be depreciated on a straight-line basis and the lease liability amortised using the effective interest method.

Renewal, termination and purchase terms are taken into account during initial measurement of the lease liability if their exercise has become reasonably certain. The exemptions for low-value leased assets and short-term leases will be used.

2. Summary of significant accounting policies (continued)

2.6 Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements, and defined benefit and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations. The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

(iii) Defined benefit pension plan

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset/liability recognised in the balance sheet in respect of the defined benefit plan is the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled less the present value of the defined benefit obligation at the end of the balance sheet date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as other comprehensive income.

The cost of the defined benefit plan, recognised in the profit and loss account as employee costs, except where included in the cost of an asset, comprises:
a) the increase in net pension benefit liability arising from employee service during the period; and
b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the profit and loss account as 'other finance expense/income'.

2. Summary of significant accounting policies (continued)

2.7 Foreign currencies

(i) Functional and presentational currency

The company's functional and presentational currency is the Pound sterling.

(ii) Transactions and balances

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.

2.8 Interest receivable

Interest income is recognised in the profit and loss account using the effective interest method.

2.9 Interest payable

Interest payable is recognised in the profit and loss account over the term of the debt using the effective interest method.

2.10 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns in respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. **Summary of significant accounting policies (continued)**

2.11 Tangible fixed assets

Tangible assets are recognised at cost and subsequently stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value.

The estimated useful lives range as follows:

Leasehold improvements	- 10 years or the remaining period of the lease if sooner
Plant and machinery	- 3 - 10 years
Motor vehicles	- 3 years
Fixtures, fittings, tools and equipment	- 5 - 10 years

Depreciation is charged to the profit and loss account.

2.12 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Raw materials, consumables and goods for resale comprise of purchase cost on a first-in, first-out basis. Work in progress and finished goods comprise of the cost of direct materials and labour plus attributable overheads, based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion or disposal. Provision is made for obsolete, slow-moving and defective items where appropriate.

2. Summary of significant accounting policies (continued)

2.13 Financial assets

The company classifies its financial assets in the following categories: at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The directors determine the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss or at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the company considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets.

(b) Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows: and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

(c) Financial assets at fair value through profit or loss

The following financial assets are classified at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost,
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

2.14 Provisions for liabilities

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Estimated future costs of the warranty offered on instrument system sales are charged to the profit and loss account as the revenues derived from the related instrument system sales are recognised.

2.15 Called up share capital

Ordinary shares are classified as equity.

2. Summary of significant accounting policies (continued)

2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.17 Government grants

Government grants received on capital expenditure are initially recognised within deferred income on the company's Balance sheet and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure is recognised.

2.18 Borrowing costs

All borrowing costs are recognised in the Profit and loss account in the year in which they are incurred.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Taxation

Determining income tax provisions involves judgements on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used on temporary differences where it is probable that there will be taxable income against which these can be offset. See notes 11 and 19.

(ii) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the tangibles, and notes 2.11 for the useful economic lives for each class of assets.

(iii) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension asset/liability in the balance sheet. The assumptions reflect historical experience and current trends. See note 23 for the disclosures relating to the defined benefit pension scheme.

(iv) Provisions

The company makes an estimate of the present value of the warranty provision which relates to estimated future costs of the warranty offered on instrument system sales. The company assesses the valuation at each reporting date. See note 20.

(v) Leases

The measurement of lease liabilities pursuant to IFRS 16 Leases. In determining the lease term, all facts and circumstances that create an economic incentive to exercise options to extend the lease or not exercise termination options are taken into account.

Notes to the financial statements for the year ended 30 September 2021

4. Turnover

Turnover is primarily derived from activities within the United Kingdom and Ireland. The amount of turnover derived from other countries is not material.

An analysis of turnover by nature is shown below:

	2021 £000	2020 £000
Sale of goods	**80,136**	53,241
Software and services	**19,694**	17,563
	99,830	70,804

5. Operating profit

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

	2021 £000	2020 £000
Depreciation of tangible fixed assets	**1,607**	1,754
Auditor's remuneration - statutory audit of the financial statements of the company	**39**	43
Operating lease rentals	**-**	35
Net loss on foreign exchange	**31**	8
Loss/(profit) on disposal of tangible fixed assets	**55**	(277)
Cost of stocks recognised as an expense	**67,629**	43,687
Impairment of inventory	**(267)**	(150)

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £000	2020 £000
Wages and salaries	**14,785**	12,430
Social security costs	**1,684**	1,411
Cost of defined contribution scheme	**1,144**	910
	17,613	14,751

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

	2021 No.	2020 No.
Sales	**128**	135
Service	**100**	101
Administration	**14**	14
	242	250

7. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	**253**	304
Directors' pension costs - defined contribution scheme	**23**	14
	276	318

The aggregate emoluments of the highest paid director was £253,000 (2020: £304,000) and company pension contributions of £23,000 (2020: £14,000) were made to a defined contribution scheme on his behalf. During the year, one director (2020: one) participated in a defined contribution pension scheme. No director was a member of a defined benefit scheme in either the current or prior year.

One director was remunerated by the company. All other directors are employed by other group companies and their remuneration for qualifying services to the company is deemed to be negligible so that they would not be able to allocate any remuneration received to Carl Zeiss Limited.

No director received shares for qualifying services or exercised share options in the current or prior year.

Notes to the financial statements for the year ended 30 September 2021

8. Interest receivable

	2021 £000	2020 £000
Interest receivable from group companies	**12**	31
	12	31

9. Interest payable

	2021 £000	2020 £000
Finance leases	**88**	103
	88	103

10. Other finance expense (net)

	2021 £000	2020 £000
Net interest on pension surplus (see note 23)	**149**	93

11. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on profits for the year	**1,593**	746
Adjustments in respect of previous periods	**6**	(1)
Foreign tax suffered	**-**	76
Foreign tax relief	**-**	(76)
	1,599	745
Total current tax	**1,599**	745
Deferred tax		
Current year	**(174)**	124
Adjustments in respect of prior periods	**2**	3
Effect of changes in tax rates	**(108)**	(31)
Total deferred tax	**(280)**	96
Taxation on profit on ordinary activities	**1,319**	841

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	**7,755**	4,506
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	**1,473**	856
Effects of:		
Adjustments in respect of prior periods	**8**	2
Income not taxable	**(7)**	-
Expenses not deductible for tax purposes	**13**	14
Tax rate changes	**(108)**	(31)
Foreign branch exemption	**(60)**	-
Total tax charge for the year	**1,319**	841

11. Taxation (continued)

Factors that may affect future tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

12. Dividends

	2021 £000	2020 £000
Dividends paid on ordinary shares (2021: £nil per share (2020: £1.91 per share))	-	2,998

13. Tangible fixed assets

	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost or valuation					
At 1 October 2020	4,127	3,503	14	2,069	9,713
Additions	15	347	-	904	1,266
Disposals	-	(211)	-	(751)	(962)
At 30 September 2021	4,142	3,639	14	2,222	10,017
Depreciation					
At 1 October 2020	1,111	1,447	4	1,107	3,669
Charge for the year	363	600	3	641	1,607
Disposals	-	(71)	-	(751)	(822)
At 30 September 2021	1,474	1,976	7	997	4,454
Net book value					
At 30 September 2021	2,668	1,663	7	1,225	5,563
At 30 September 2020	3,016	2,056	10	962	6,044

13. Tangible fixed assets (continued)

(i) Right-of-use assets

As at 30 September 2021, right-of-use assets have been recognised as follows:

	Leasehold improvements £000	Plant and machinery £000	Fixtures, fittings, tools and equipments £000	Total £000
Right-of-use assets				
Cost	3,416	399	1,762	5,577

The following amounts relating to right-of-use assets and liabilities are recognised in the balance sheet:

(ii) Amounts recognised in the balance sheet

	2021 £000	2020 £000
Right-of-use assets		
Leasehold improvements	**2,434**	2,761
Plant and machinery	**80**	186
Fixtures, fittings, tools and equipment	**1,005**	719
	3,519	3,666

	2021 £000	2020 £000
Lease liabilities		
Current	**874**	913
Non-current	**2,752**	2,774
	3,626	3,687

Additions to the right-of-use assets during the 2021 financial year were £774,000 (2020: £533,000) and disposals of £485,000 (2020: £409,000).

13. Tangible fixed assets (continued)

(iii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021 £000	2020 £000
Depreciation charge of right-of-use assets		
Leasehold improvements	**(327)**	(327)
Plant and machinery	**(107)**	(107)
Fixtures and fittings, tools and equipment	**(488)**	(609)
	(922)	(1,043)

Interest expense (included in finance cost)	**(88)**	(103)
Expense relating to short-term leases (included in administrative expenses)	**-**	(35)

The total cash outflow for leases in 2021 was £982,000 (2020: £1,298,000).

13. Tangible fixed assets (continued)

(iv) The company's leasing activities and how these are accounted for

The company leases various offices, plant and machinery, fixtures and fittings, tools and equipment. Rental contracts are typically made for fixed periods of 0 to 13 years.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of leasehold improvements, plant and machinery, fixtures, fittings, tools and equipment were classified as either finance leases or operating leases. From 1 October 2018, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

14. Stocks

	2021	2020
	£000	£000
Finished goods and goods for resale	**8,569**	5,612
	8,569	5,612

There is no significant difference between the replacement cost of stocks and their carrying amounts.

Stocks are stated after provisions for impairment of £1,340,000 (2020: £1,605,000)

15. Debtors

	2021 £000	2020 £000
Due after more than one year		
Finance lease receivables	**803**	1,211
Deferred tax asset	**-**	1,822

	2021 £000	2020 £000
Due within one year		
Trade debtors	**14,333**	15,048
Amounts owed by group undertakings	**31,887**	16,679
Other debtors	**98**	116
Prepayments and accrued income	**1,013**	599
Finance lease receivables	**482**	605
	47,813	33,047

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Trade debtors are stated after provisions for impairment of £200,000 (2020: £225,000).

Finance lease receivables, both £803,000 (2020: £1,211,000) due after more than one year and £482,000 (2020: £605,000) due within one year, are amounts to be received for capital equipment funded through a consumables arrangement.

Notes to the financial statements for the year ended 30 September 2021

16. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Bank overdrafts	**363**	-
Lease liabilities	**874**	913
Trade creditors	**1,011**	1,042
Amounts owed to group undertakings	**13,926**	7,898
Payments received on account	**1,616**	534
Corporation tax	**268**	100
Taxation and social security	**1,573**	1,733
Other creditors	**1,781**	1,237
Accruals	**3,919**	3,161
Deferred income	**7,479**	6,653
	32,810	23,271

Amounts owed to group and parent undertakings are unsecured, interest free and repayable on demand.

Trade creditors are non-interest bearing and normally settled on 30 day terms. Other creditors are non-interest bearing.

17. Creditors: Amounts falling due after more than one year

	2021 £000	2020 £000
Lease liabilities	**2,752**	2,774
Accruals and deferred income	**6,647**	6,563
	9,399	9,337

18. Leases

The present value of minimum lease payments is analysed as follows:

	2021 £000	2020 £000
Not later than one year	**874**	913
Later than one year but not later than five years	**1,873**	1,731
Later than five years	**879**	1,043
	3,626	3,687

The leases are categorised as leasehold improvements, plant and machinery, fixtures, fittings, tools and equipment, being buildings, company cars and a refractive laser. The remaining lease terms range from 0 to 13 years. At the end of the lease terms, the company has no option to purchase the assets.

19. Deferred taxation (liability)/asset

	2021 £000	2020 £000
At beginning of year	**1,822**	924
Credited/(charged) to the profit and loss account	**280**	(96)
(Charged)/credited to other comprehensive income	**(2,301)**	994
At end of year	**(199)**	1,822

The deferred tax (liability)/asset is made up as follows:

	2021 £000	2020 £000
Fixed assets	**(366)**	(286)
Temporary trading differences	**299**	170
Pension surplus	**(132)**	1,938
	(199)	1,822

Comprising:

	2021 £000	2020 £000
Asset - due within one year	**167**	1,822
Liability - due after one year	**(366)**	-
	(199)	1,822

20. Provisions

	Warranty £000	Dilapidation provision £000	Total £000
At 1 October 2020	**873**	**53**	**926**
Charged to profit or loss	**519**	**(53)**	**466**
At 30 September 2021	**1,392**	**-**	**1,392**

Warranty provision

The warranty provision is a general provision based on 1% of system revenues and an expected warranty cost of electron microscopes and Xray microscopes. There are uncertainties about the amount or timing of those outflows.

Dilapidation provision

The dilapidation provision is now held by a subsidiary company of the Carl Zeiss group.

21. Government grants

	2021 £000	2020 £000
At start of the year	**(16)**	-
Received during the year	**-**	551
Credited to profit or loss	**16**	(567)
At 30 September 2021	**-**	(16)

Government grants for the Coronavirus Job Retention Scheme of £nil (2020: £567,000) have been recognised in the profit and loss account. An amount of £nil (2020: £16,000) remains outstanding and is included within other debtors. The grants are to be used for the payment of salaries to employees on furlough during the year. There are no further conditions or contingencies attached to these grants.

22. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
1,570,000 (2020: 1,570,000) Ordinary shares of £1.00 each	**1,570**	1,570

There have been no issues or cancellations of share capital during the year.

23. Pension commitments

Defined contribution scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £1,144,000 (2020: £910,000). There are no outstanding or prepaid contributions at the year end (2020: £Nil).

Defined benefit scheme

The company also operates a defined benefit pension scheme providing benefits based on final pensionable pay. On 1 October 2012, the scheme ceased accrual, although active members at that date retain the link to final salary. The latest full actuarial valuation was carried out at 30 September 2020 and was updated for IAS 19 purposes to 30 September 2021 by a qualified actuary.

The scheme is a registered pension scheme with a funded defined benefit section under which benefit accrual ceased with effect from 30 September 2012. The scheme operates under the regulatory framework of the Pensions Act 2004.

Under the scheme a trustee company has primary responsibility for governance of the scheme. Benefit payments are made from trustee administered funds. Scheme assets are held under trusts which are governed by UK regulation. Responsibility for governance of the scheme, including setting contribution rates, lies jointly with the company and the trustee. Investment decisions are the responsibility of the trustee only.

Pension contributions are determined with the advice of an independent qualified actuary on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers forecasts to each category of scheme assets.
Through its defined benefit pension plan, the company is exposed to a number of risks, the most significant of which are detailed below:

(i) Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets (diversified growth fund) which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short term. The allocation to growth assets is monitored such that it is suitable for the Scheme's long term objectives.

(ii) Changes in bond yields

A decrease in corporate bond yields will increase the Scheme's liabilities, although this will be partially offset by an increase in the value of the Scheme's bond holdings. As noted above, the Scheme's investment in liability driven investments ("LDI") partially mitigates this risk.

(iii) Inflation risk

The majority of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increase are in place to protect against extreme inflation). As noted above, the Scheme's investment in LDI partially mitigates this risk.

(iv) Life expectancy

The majority of the schemes obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

23. Pension commitments (continued)

Reconciliation of present value of plan liabilities:

	2021	2020
	£000	£000
Reconciliation of present value of plan liabilities		
At the beginning of the year	**61,462**	57,028
Interest cost	**888**	999
Past service cost - amendments	**199**	-
Actuarial (gain)/loss on changes in demographic assumptions	**(986)**	646
Actuarial (gain)/loss on changes in financial assumptions	**(5,409)**	4,013
Experience gain	**(1,425)**	-
Benefits paid	**(1,238)**	(1,224)
At the end of the year	**53,491**	61,462

Composition of plan assets:

	2021	2020
	£000	£000
Bonds	**19,347**	19,734
Equities	**9,507**	8,415
Property	**4,831**	4,462
Private markets	**8,833**	7,426
Other alternative investments - LDI	**5,394**	6,934
Annuities	**3,668**	4,140
Cash	**2,441**	152
Total plan assets	**54,021**	51,263

Within the scheme's plan assets, only equities are quoted on active markets.

The scheme does not invest in any financial instruments or properties held by the company.

23. Pension commitments (continued)

Reconciliation of present value of plan assets:

	2021 £000	2020 £000
At the beginning of the year	**51,263**	51,749
Interest income	**739**	906
Return on assets excluding interest income	**3,257**	(168)
Benefits paid	**(1,238)**	(1,224)
At the end of the year	**54,021**	51,263

	2021 £000	2020 £000
Fair value of plan assets	**54,021**	51,263
Present value of plan liabilities	**(53,491)**	(61,462)
Net pension scheme asset/(liability)	**530**	(10,199)

The amounts recognised in the profit or loss account are as follows:

	2021 £000	2020 £000
Net interest on pension obligation	**(149)**	(93)
Past service cost	**(199)**	-
Total	**(348)**	(93)

The amounts recognised in the statement of comprehensive income are as follows:

	2021 £000	2020 £000
Gain/(loss) on asset return	**3,257**	(168)
Actuarial gain/(loss) - change in assumptions	**6,395**	(4,659)
Experience gain	**1,425**	-
Total	**11,077**	(4,827)

23. Pension commitments (continued)

A reconciliation of the recognised deficit from the beginning to the end of the year is shown below:

	2021 £000	2020 £000
At the beginning of the year	**(10,199)**	(5,279)
Net interest recognised in the profit and loss account	**(149)**	(93)
Past service costs	**(199)**	-
Actuarial gain/(loss) recognised in other comprehensive income	**11,077**	(4,827)
At the end of the year	**530**	(10,199)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2021 %	2020 %
Discount rate	**1.9**	1.5
Inflation	**2.9**	2.9
Inflation with a maximum of 5% p.a.	**3.5**	3.5
Inflation with a maximum of 2.5% p.a.	**2.0**	2.0
Salary increases	**3.0**	3.0
The mortality assumptions used were as follows (years):		
- for a male aged 60 now (2019: 60)	**27.7**	27.8
- at 60 for a male aged 40 now (2019: 60 and 40)	**29.5**	29.7
- for a female aged 60 now (2019: 60)	**29.2**	28.9
- at 60 for a female member aged 40 now (2019: 60 and 40)	**30.7**	30.5

23. Pension commitments (continued)

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Defined benefit obligation	**(53,491)**	(61,462)	(57,028)	(48,614)	(45,030)
Scheme assets	**54,021**	51,263	51,749	49,798	50,152
Surplus not recognised	**-**	-	-	(414)	(1,793)
Surplus	**530**	(10,199)	(5,279)	770	3,329

Experience adjustments on scheme liabilities	**-**	-	166	(1,183)	-
Experience adjustments on scheme assets	**3,526**	(168)	2,725	651	2,006
	3,526	**(168)**	**2,891**	**(532)**	**2,006**

A sensitivity analysis in respect of the present value of the defined benefit obligation to a change in each significant actuarial assumption above, assuming the other assumptions remain constant, at the end of the reporting period is shown below:

	2021 £000	2020 £000
Discount rate plus 0.5% pa (2.4% (2020: 2.0%))	**49,052**	55,749
Discount rate less 0.5% pa (1.4% (2020: 1.0%))	**58,557**	68,036
Salary increase plus 0.5% pa (3.5% (2020: 3.4%))	**53,721**	61,826
Salary increase less 0.5% pa (2.5% (2020: 2.4%))	**53,273**	61,119
Mortality assumption plus 1 year	**51,240**	58,683
Mortality assumption less 1 year	**55,768**	63,829

The following are the expected benefit payments from the defined benefit plan in future years:

	2021 £000	2020 £000
Not later than 12 months	**1,409**	1,345
Later than 1 year and not later than 5 years	**6,123**	5,834
Later than 5 years	**8,601**	8,349
	16,133	15,528

23. Pension commitments (continued)

The company expects to contribute £1,458,000 (2020: £Nil) to its defined benefit pension scheme in the next year. The average duration of the defined benefit obligation at the end of the reporting period is 18 years (2020: 20 years).

24. Related party transactions

The company is exempt from disclosing related party transactions with companies that are wholly owned within the Carl Zeiss AG group.

25. Post balance sheet events

The invasion of Ukraine by Russia on 24 February 2022 has led to significant sanctions against Russia.

The company has no ongoing exposures to, or investments in, Russian-related interests, and the conflict is not expected to have any impact on the company at this time.

26. Immediate parent undertaking and ultimate controlling party

The company's immediate parent undertaking is Carl Zeiss Beteiligungs GmbH, a company incorporated in Germany.

The ultimate parent undertaking and controlling party is Carl Zeiss Stiftung, a company incorporated in Germany.

The smallest and also largest group in which the results of the company are consolidated is that headed by Carl Zeiss AG.

The consolidated financial statements of Carl Zeiss AG are available to the public and may be obtained from their registered office at Carl-Zeiss-Strasse 22, 73447 Oberkechen, Germany.