

Carl Zeiss Vision UK Limited

**Directors' report and financial
statements**

Registered number 02838963

For the year ended 30 September 2012

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Directors' report

The directors present the annual report and the audited financial statements for the year ended 30 September 2012.

Business review and principal activities

The company's principal activities are the distribution and sale of ophthalmic lenses, either directly or indirectly, to the UK retail optical industry

The profit and loss account of the company is set out on page 7. Turnover amounted to £36,411,000 (2011 £35,246,000). Trading conditions in the UK continue to be very challenging. Despite our focus on maintaining margins by the introduction of new products and processes, these difficult market conditions have led to a reduction in underlying gross margins from £8,610,000 to £7,738,000 (24.4% to 21.3%). Underlying margins are before the one-off impact of foreign exchange referred to below. Including currency gains gross margins have been maintained at 24.6% (2011 24.5%).

We have seen increasing pressure on distribution costs following the implementation of a strategy to improve customer service lead times. Additionally administrative costs include a one-off pension cost of £242,000 relating to the defined benefit arrangement. This is further referred to in note 18. The net impact of the overall movements in margins and operating costs have caused an overall reduction in operating profit of £172,000 to £2,143,000 (2011 £2,315,000).

As noted below in *Principal risks and uncertainties*, the company makes significant raw material purchases in Euros. The company is therefore exposed to market fluctuations between the Euro and GBP. The year on year impact, based on average exchange rates, amounts to increased gross margins of £1,222,000 in 2012 (2011 £22,000). In addition, foreign exchange transactions resulted in gains of £428,000 during 2012 compared to losses in 2011 of £68,000.

In view of the market conditions and increasing competitiveness in the UK market, the directors consider the performance of the company for the year as satisfactory.

The balance sheet is set out on page 8 of the financial statements and shows net assets increasing from £22,346,000 at 30 September 2011 to £23,469,000 at 30 September 2012.

The balance sheet includes the net liability in respect of the American Optical UK Limited defined benefit scheme amounting to £1,971,000 (2011 £1,525,000). The increase in deficit largely reflects an actuarial loss of £406,000 which arose during the year (2011 gain £851,000), and a curtailment and past service cost of £242,000 (2011 £nil). Further details are set out in note 18 to the financial statements. In view of the inherent complexities associated with the valuation of pension liabilities and the continued turbulence in global financial markets, the directors expect continued volatility in future valuations of the defined benefit scheme.

The Group manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Outlook

The Carl Zeiss Vision group continues to introduce new and innovative products to the existing product range. Accordingly, despite the highly competitive nature of the UK market the directors are optimistic of continued improvements in performance.

Principal risks and uncertainties

Competitive pressure arising from weakness in the UK market and the Eurozone is a continuing risk for the company. This could result in an increase in competition, lower prices or loss of sales to its key competitors. To manage this risk, the company strives to continually develop market leading innovative products and services to its customers, improve response times in the supply of products and services and in the handling of customer queries, and continue to develop strong relationships and partnerships with customers.

Directors' report *(continued)*

Principal risks and uncertainties *(continued)*

The American Optical UK Limited defined benefit pension scheme is currently in deficit. The deficit is potentially subject to adverse change resulting from movements in the actuarial assumptions underlying the calculation of the plan assets and liabilities, including the impact of discount rates and the increasing longevity of scheme members, as well as declines in the market value of scheme investments.

At the time of approving these financial statements, continued economic instability and stock market volatility may have an impact on the level of the pension scheme deficit which needs to be recognised in the financial statements. In turn, this may have an impact on the level of future funding. Significant adverse changes in the market value of scheme investments and other actuarial assumptions could materially impact on the company's net assets. In the current circumstances of rapid change in economic markets it is not possible or practicable to assess the future impact of these changes. A full actuarial valuation of the scheme at 31 March 2012 is currently being undertaken by the Trustees' independent actuaries.

The company's businesses may be affected by fluctuations in the price and supply of key raw materials, a large proportion of which are invoiced to the company in Euros. Variations in the value of the Euro relative to GBP will impact the cost base of the company.

Post balance sheet event

Immediately after the year end, on 1 October 2012, SILS Limited, a fellow group distributor of ophthalmic lenses, transferred to Carl Zeiss Vision UK Limited the operation of its local UK market stocking point in Birmingham, together with stock at a value of £1,033,000. This follows a re-organisation of local supply responsibilities within the Group.

On 15 May 2013 the company paid an interim dividend of £10,000,000. In addition, the company agreed to make a one-off cash contribution to the American Optical UK Limited Defined Benefit Pension Scheme of £500,000, and increase the level of the company's ongoing cash contributions over the term of the current recovery plan.

On 30 April 2013 the strike off of the following entities were completed: SERO Limited, American Optical (UK) Limited, UKO International Limited and UKO International (Overseas Holdings) Limited.

There have been no other significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

Going concern

The company has a strong balance sheet, has continued to be cash generative and has no third party debt. Net amounts due to the company from fellow group companies amount to £24,410,000 (2011: £22,402,000). Amounts payable to parent entities carry variable interest rates depending on the nature of the loan.

The directors have reviewed going concern and have prepared detailed forecasts and projections. Allied with performance since the balance sheet date, these projections conclude that the company will be able to pay its debts as they fall due for a period not less than twelve months from the date of signing of these financial statements.

Environment

Carl Zeiss Vision UK recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The company operates in accordance with Carl Zeiss Vision Group policies. Initiatives aimed at minimising the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

The company participates in the group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters.

Directors' report *(continued)*

The company and wider group strive to meet and exceed legislation concerning occupational health, aiming to provide good working conditions and an infrastructure upon which future development can be made

Directors

The directors who served during the year and subsequently were as follows

PA Green
S Hermann (resigned 24 June 2013)
AP Leong-Son
P Bilsdorfer (appointed 24 June 2013)

Secretary

Prism Cosec Ltd

Dividend

The directors do not recommend a payment of a dividend (2011 £Nil) The payment of an interim dividend for the year ended 30 September 2013 is referred to above

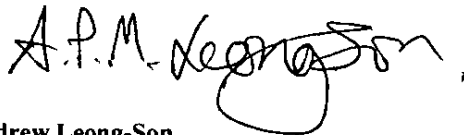
Disclosure of information to auditor

The directors who held office at the date of approval of this director's report confirm that, as far as they are aware, there is no relevant audit information of which the company's auditor is unaware, and they have taken all the steps that ought to have been taken as directors and made themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the board



Andrew Leong-Son
Director

Unit 9
Holford Way
Holford
Birmingham
B6 7AX

25 June 2013

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 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, 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

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

We have audited the financial statements of Carl Zeiss Vision UK Limited for the year ended 30 September 2012 set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 4, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 30 September 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Carl Zeiss Vision UK Limited
(continued)

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



Graham Neale (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

25 June 2013

Profit and loss account
for the year ended 30 September 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover	2	36,411	35,246
Cost of sales		(27,451)	(26,614)
Gross profit		8,960	8,632
Distribution costs		(806)	(528)
Administrative expenses		(6,011)	(5,789)
Operating profit		2,143	2,315
Interest receivable and similar income	6	137	164
Interest payable and similar charges	7	(392)	(385)
Profit on ordinary activities before taxation	3	1,888	2,094
Tax charge on profit on ordinary activities	8	(435)	(598)
Profit for the financial year	17	1,453	1,496

The notes on pages 10 to 22 form part of these financial statements

A statement of total recognised gains and losses is set out on page 9

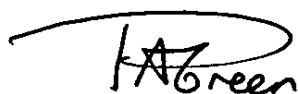
All results were generated from continuing activities

Balance sheet
at 30 September 2012

	<i>Note</i>	2012 £000	£000	2011 £000	£000
Fixed assets					
Tangible assets	9	282		374	
Investments	10	-		-	
			282		374
Current assets					
Stocks	11	458		482	
Debtors	12	58,998		57,675	
Cash at bank and in hand		740		93	
		60,196		58,250	
Creditors Amounts falling due within one year	13	(35,038)		(34,753)	
Net current assets			25,158		23,497
Total assets less current liabilities			25,440		23,871
Net pension liabilities	18		(1,971)		(1,525)
Net assets			23,469		22,346
Capital and reserves					
Called up share capital	16		3,378		3,378
Profit and loss account	17		16,644		15,521
Capital redemption reserve	17		3,447		3,447
Equity shareholder's funds	17		23,469		22,346

The notes on pages 10 to 22 form part of these financial statements

These financial statements were approved by the directors on 25 June 2013 and were signed by



PA Green
Director

Company number 02838963

Statement of total recognised gains and losses
for the year ended 30 September 2012

	2012 £000	2011 £000
Profit for the financial year (see page 7)	1,453	1,496
Actuarial (losses)/gains on defined benefit pension schemes	(406)	851
Deferred tax on actuarial (losses)/gains on defined benefit schemes	97	(230)
Effect of rate change on deferred tax asset on actuarial (losses)/gains on defined benefit scheme	(21)	(44)
Current tax on defined benefit payment scheme	-	2
Total recognised gains for the financial year	1,123	2,075

The notes on pages 10 to 22 form part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

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

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Going concern

In preparing the financial statements the directors have reviewed the adoption of the going concern assumption. In forming their view the directors have considered future trading forecasts and projections for the company, the net assets of the company and the availability of funding from its parent companies.

After considering these reviews the directors believe it to be appropriate for the financial statements to be prepared on a going concern basis.

The financial statements have been prepared on the going concern basis.

Related party transactions

The company has taken advantage of the exemption available to 100% owned subsidiary undertakings under FRS 8 not to disclose transactions with other subsidiaries of the group by virtue of being a wholly owned subsidiary of Carl Zeiss AG. The company has entered into no other related party transactions.

Use of estimates and judgements

The preparation of financial statements in conformity with UK Generally Accepted Accounting Practice requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about defined benefit pension schemes, an area of uncertainty and critical judgement in applying accounting policies that has the most significant effect on the amounts recognised in the financial statements, is included in note 18.

Cash flow statement

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Turnover

Turnover, which is stated net of value added tax, represents amounts derived from the provision of goods and services to third parties during the year.

Operating leases

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

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

All fixed assets are initially recorded at cost. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Plant, machinery and equipment - over 3 to 20 years

The company undertakes a review for impairment of assets if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is the higher of net realisable value and value in use, the asset is written down to its recoverable amount.

Stocks

Stocks are stated at the lower of cost and net realisable value on a first in first out basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for tax and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Pension costs

Defined contribution pensions

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 Carl Zeiss Vision UK Limited Personal Pension Scheme. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Defined benefit pensions

The company also contributes to the American Optical UK Limited Pension Scheme, providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

The company adopts the principles set out in FRS 17 *Retirement Benefits*. The pension deficit arising in respect of this scheme is recognised in full on the balance sheet and stated net of any deferred taxation. The movement in the scheme deficit in any period is split between operating charges, finance items, and, in the statement of total recognised gains and losses, actuarial gains and losses.

Notes (continued)

1 Accounting policies (continued)

Pension costs (continued)

The company's net obligation in respect of defined benefit pension arrangements is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods. This benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of the scheme's assets are deducted. The discount rate is the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The calculation is performed by a qualified actuary using the projected unit credit method. Pension scheme assets are measured using market values. For quoted securities the bid price is taken as the market value.

Investments

Investments held in fixed assets are stated at cost less provision for any diminution in value.

2 Turnover

	2012 £000	2011 £000
By geographical market		
United Kingdom	31,125	30,802
Rest of Europe	1,690	1,477
Rest of world	3,596	2,967
	<u>36,411</u>	<u>35,246</u>

3 Profit on ordinary activities before taxation

	2012 £000	2011 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Depreciation of tangible fixed assets		
Owned	227	260
Operating lease rentals		
Plant and machinery	193	187
Other	140	196
Foreign exchange (gains)/losses	(428)	68
Auditor's remuneration		
Audit of these financial statements	46	41
	<u>46</u>	<u>41</u>

Amounts receivable by the company's auditor in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent, Carl Zeiss AG.

Notes (continued)

4 Remuneration of directors

	2012 £000	2011 £000
Total emoluments (excluding pension costs)	319	333

Total pension contributions paid into a defined contribution scheme on behalf of the directors who held office during the year amounted to £19,000 (2011 £19,000). At the year end, retirement benefits are accruing to two directors (2011 two) under the company's defined contribution pension scheme and no directors (2011 none) under the company's defined benefit scheme.

5 Staff numbers and costs

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

	Number of employees	
	2012	2011
Administration	53	56
Manufacturing and distribution	25	26
	78	82

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	2,895	2,842
Social security costs	324	287
Other pension costs	89	169
	3,308	3,298

6 Interest receivable and similar income

	2012 £000	2011 £000
Interest on deposits held with fellow subsidiary undertakings	137	134
Expected return on pension scheme assets (see note 18)	-	20
Other interest receivable	-	10
	137	164

Notes (continued)

7 Interest payable and similar charges

	2012 £000	2011 £000
Interest on pension scheme liabilities (see note 18)	371	385
Expected return on scheme assets	21	-
	<u>392</u>	<u>385</u>

8 Taxation

Analysis of charge in year

	2012 £000	2011 £000
<i>UK corporation tax</i>		
Current tax on profit for the year	489	117
	<u>489</u>	<u>117</u>
Total current tax being tax on profit on ordinary activities	489	117
	<u>489</u>	<u>117</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences	(57)	471
Effect of changes in tax rates	11	13
Adjustment in respect of previous years	(8)	(3)
	<u>(54)</u>	<u>481</u>
Total deferred tax	(54)	481
	<u>(54)</u>	<u>481</u>
Total tax on profit on ordinary activities	435	598
	<u>435</u>	<u>598</u>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2011 lower) than the standard rate of corporation tax in the UK of 25% (2011 27%). The differences are explained below

	2012 £000	2011 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,888	2,094
	<u>1,888</u>	<u>2,094</u>
Current tax charge at 25% (2011 27%)	472	565
	<u>472</u>	<u>565</u>
<i>Effects of</i>		
Expenses not deductible for tax purposes	20	21
Capital allowances for year in excess of depreciation	9	13
Other timing differences	(12)	(29)
Decrease in losses carried forward	-	(453)
	<u>(3)</u>	<u>(448)</u>
Total current tax charge (see above)	489	117
	<u>489</u>	<u>117</u>

Notes (continued)

8 Taxation (continued)

Factors that may affect future, current and total tax charges

Deferred taxation in connection with the actuarial gains or losses recognised in the pension scheme in the year are disclosed in accordance with FRS 17 *Retirement Benefits* and within the statement of total recognised gains and losses

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 September 2012 has been calculated based on the rate of 24% being the substantively enacted rate effective from April 1 2012.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

9 Tangible fixed assets

	Plant, machinery and equipment £000
<i>Cost</i>	
At beginning of year	2,351
Additions	135
	<hr/>
At end of year	2,486
	<hr/>
<i>Depreciation</i>	
At beginning of year	1,977
Provided during the year	227
	<hr/>
At end of year	2,204
	<hr/>
<i>Net book value</i>	
At 30 September 2012	282
	<hr/>
At 30 September 2011	374
	<hr/>

Notes (continued)

10 Investments

	2012 £000	2011 £000
<i>Subsidiary undertakings</i>		
Cost	-	-
Provision for diminution in value	-	-
Increase in provision in the year	-	-
	<hr/>	<hr/>
Net book value	-	-
	<hr/>	<hr/>

Details of the investments in which the company holds 100% of the ordinary share capital are as follows

Subsidiary undertakings	Nature of business
SERO Limited	Dormant
American Optical (UK) Limited*	Dormant
SILS Limited	Distributor of ophthalmic lenses
UKO International Limited	Holding company
UKO International (Overseas Holdings) Limited*	Dormant

*held through UKO International Limited

All subsidiary undertakings are registered in England and Wales

On 30 April 2013 the strike off of the following entities were completed SERO Limited, American Optical (UK) Limited, UKO International Limited and UKO International (Overseas Holdings) Limited

11 Stocks

	2012 £000	2011 £000
Finished goods and goods for resale	458	482
	<hr/>	<hr/>

12 Debtors

	2012 £000	2011 £000
Amounts falling due within one year		
Trade debtors	5,299	5,907
Amounts owed by parent undertakings	27,896	25,994
Amounts owed by subsidiary undertakings	25,216	25,216
Amounts owed by other Group undertakings	130	147
Other debtors	-	5
Prepayments and accrued income	204	207
Deferred tax (see note 14)	253	199
	<hr/>	<hr/>
	58,998	57,675
	<hr/>	<hr/>

Notes (continued)

13 Creditors: Amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	1,938	2,518
Amounts owing to subsidiary undertaking	25,221	25,221
Amounts owing to other Group undertakings	3,611	3,734
Other taxes and social security	1,249	1,196
Accruals and deferred income	3,019	2,084
	<u>35,038</u>	<u>34,753</u>

14 Provisions for liabilities and charges

Deferred tax

Excluding £622,000 (2011 £509,000) of deferred tax asset in respect of the pension deficit, £253,000 of deferred tax assets have been recognised as at 30 September 2012 (2011 £199,000)

The amount of recognised and unrecognised potential deferred tax assets is set out below

2012

	Recognised £000	Unrecognised £000	Total £000
Differences between accumulated depreciation and capital allowances	145	-	145
Other timing differences	108	-	108
	<u>253</u>	<u>-</u>	<u>253</u>
Deferred tax asset (see note 12)	253	-	253
On pension deficit (see note 18)	622	-	622
	<u>875</u>	<u>-</u>	<u>875</u>

2011

	Recognised £000	Unrecognised £000	Total £000
Differences between accumulated depreciation and capital allowances	131	-	131
Other timing differences	68	-	68
	<u>199</u>	<u>-</u>	<u>199</u>
Deferred tax asset (see note 12)	199	-	199
On pension deficit (see note 18)	509	-	509
	<u>708</u>	<u>-</u>	<u>708</u>

Notes (continued)

15 Obligations under leases and hire purchase contracts

The company had annual commitments under non-cancellable operating leases as follows

	Land and buildings £000	2012 Other £000	Total	Land and buildings £000	2011 Other £000	Total
Operating leases which expire						
Within one year	35	22	22	93	22	115
Within two to five years	-	305	305	-	268	268
	<u>35</u>	<u>327</u>	<u>327</u>	<u>93</u>	<u>290</u>	<u>383</u>

16 Share capital

	2012 £	2011 £
<i>Allotted, called up and fully paid</i>		
3,378,000 ordinary shares of £1 each	<u>3,378,000</u>	<u>3,378,000</u>

17 Movement on reserves and reconciliation of movements in shareholder's funds

	Share capital £000	Capital reserve £000	Profit and loss account £000	2012 Total shareholders' funds £000	2011 Total shareholders' funds £000
At 30 September 2011	3,378	3,447	15,521	22,346	20,271
Profit for the financial year	-	-	1,453	1,416	1,496
Actuarial (loss)/gain *	-	-	(406)	(406)	851
Other items included in STRGL**	-	-	76	113	(272)
At 30 September 2012	<u>3,378</u>	<u>3,447</u>	<u>16,644</u>	<u>23,469</u>	<u>22,346</u>

* Actuarial (losses)/gains recognised in the pension scheme

** Deferred tax arising on actuarial (losses)/gains in the pension scheme

Notes (continued)

18 Pension commitments

Defined benefit schemes

The company operates a defined benefit scheme, the American Optical UK Limited Pension Scheme, which is funded by the payment of contributions to a separately administered trust fund. From 1 October 2012 the scheme has no contributing members.

The company historically sponsored two fully insured defined benefit pension arrangements. These arrangements are fully insured with Scottish Widows and to this extent, there are no circumstances under which the company has any further obligation in respect of these arrangements. In particular, should the assets held by Scottish Widows be insufficient to meet the benefits promised, Scottish Widows would be required to make good the shortfall. Given these arrangements are fully insured, the company has not included the full disclosure information required for defined benefit reporting under FRS 17.

The contributions to the American Optical UK Limited Pension Scheme (the "Scheme") are determined on the basis of triennial valuations. The most recent funding valuation was that conducted as at 31 March 2009 which used the attained age method, an interim update was performed at 30 September 2012.

A full actuarial valuation of the scheme at 31 March 2012 is currently being undertaken by the Trustees' independent actuaries.

The assumptions used in the actuarial valuations were:

	At 30 September 2012 %	At 30 September 2011 %
Rates of increase in salaries		
Staff	-	3.7
Executives	-	3.7
Rate of increase of pensions in payment	2.7	3.2
Discount rate	4.3	5.2
Inflation assumption	2.7	3.2

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the Scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised and the present value of the Scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value At 30 September 2012 £000	At 30 September 2011 £000
Equities	1,858	1,273
Bonds	3,826	3,848
Cash	140	71
Total market value of assets	5,824	5,192
Actuarial value of liability	(8,417)	(7,226)
Pension deficit in the Scheme	(2,593)	(2,034)
Deferred tax asset	622	509
Net pension deficit	(1,971)	(1,525)

Notes *(continued)*

18 Pension commitments *(continued)*

The expected rates of return on the assets in the Scheme were

	Expected return	
	At 30 September 2012 %	At 30 September 2011 %
Equities	6.6	5.9
Bonds	3.1	2.9
Cash	2.0	2.0

Analysis of other pension costs in arriving at operating profit

	2012 £000	2011 £000
Service cost	35	35
Curtailment and past service cost	242	-
Total operating charge	277	35

Analysis of amounts included in other finance costs

	2012 £000	2011 £000
Expected return on pension Scheme assets	(21)	20
Interest on pension liabilities	(371)	(385)
Net finance costs	(392)	(365)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2012 £000	2011 £000
Actual return less expected return on assets	369	243
Experience gains and losses on liabilities	(100)	(40)
Changes in assumptions underlying the present value of the scheme liabilities	(675)	648
Actuarial (losses)/gains recognised in STRGL	(406)	851

Notes (continued)

18 Pension commitments (continued)

Movement in deficit during the year

	2012 £000	2011 £000
Deficit in Scheme at beginning of year	(2,034)	(2,893)
Movement in year		
Current service cost	(35)	(35)
Contributions	516	408
Net finance costs on assets	(392)	(365)
Actuarial loss	(406)	851
Curtailment and past service cost	(242)	-
Deficit in Scheme at end of year	(2,593)	(2,034)

History of experience gains and losses

	2012 £000	%	2011 £000	%
Difference between expected and actual returns on Scheme assets	369		243	
Percentage of Scheme assets		6.3		4.7
Experience gains and losses on Scheme liabilities	(100)		(40)	
Percentage of Scheme liabilities		(1.2)		(0.6)
Total amount recognised in statement of total recognised gains and losses	(406)		851	
Percentage of Scheme liabilities		(4.8)		11.8

Sensitivity to economic change

At the time of approving these financial statements, changes in the general economic climate and stock market volatility may have an impact on the level of the pension scheme deficit required to be booked in the financial statements, and also on the level of future funding. Significant adverse changes in the market value of scheme investments and other actuarial assumptions could materially impact on the company's reported results and net assets. In the current circumstances of rapid change in economic markets it is not possible or practicable to assess the impact of these changes. The next interim valuation of the deficit for financial statement purposes will take place at 30 September 2013.

Post balance sheet events

On 15 May 2013 the company agreed to make a one-off cash contribution to the American Optical UK Limited Defined Benefit Pension Scheme of £500,000, and increase the level of the company's ongoing cash contributions over the term of the current recovery plan.

Defined contribution scheme

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The pension cost charge for the year in respect of this scheme amounted to £89,000 (2011: £80,000).

19 Contingent Liabilities

The company has entered into cross guarantees with other group companies secured by a fixed and floating charge over the company's assets in respect of parent company borrowings.

Notes *(continued)*

20 Related party transactions

The company has taken advantage of the exception available to wholly owned subsidiary undertakings under FRS 8 not to disclose transactions with other subsidiaries of the group by virtue of being a wholly owned subsidiary of Carl Zeiss AG. The company has entered into no other related party transactions.

21 Ultimate parent company and controlling party

Carl Zeiss AG is the ultimate parent company and controlling party, incorporated in Germany and is the largest group in which the results of the company are consolidated. The consolidated financial statements of this group are available to the public and may be obtained from Carl-Zeiss-Strasse 22, 73447, Oberkochen, Germany.

22 Post balance sheet event

Immediately after the year end, on 1 October 2012, SILS Limited transferred at market value the operation of its local UK market stocking point in Birmingham, together with stock at a value of £1,033,000, to Carl Zeiss Vision UK Limited, following a re-organisation of local supply responsibilities within the Group.

On 15 May 2013 the company paid an interim dividend of £10,000,000. In addition, the company agreed to make a one-off cash contribution to the American Optical UK Limited Defined Benefit Pension Scheme of £500,000, and increase the level of the company's ongoing cash contributions over the term of the current recovery plan.

On 30 April 2013 the strike off of the following entities were completed: SERO Limited, American Optical (UK) Limited, UKO International Limited and UKO International (Overseas Holdings) Limited.

There have been no other significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.