Carl Zeiss Vision UK Limited

Annual report and financial statements

Registered number 02838963

For the year ended 30 September 2019

Contents

Directors and advisors

Directors	AP Leong-Son PA Green P Bilsdorfer S Hermann		
Secretary	Prism Cosec Ltd		
Auditor	Ernst & Young LLP One Colmore Square Birmingham B4 6HQ		
Bankers	National Westminster Bank 5 Ormskirk Street St Helens Merseyside WA10 1DR	Deutsche Bank 6 Bishopsgate London EC2P 2AT	Bank of Ireland 88 Lower Camden Street Dublin DO2 PY23 Ireland
	Deutsche Bank AG Sachsenstrasse 11 D-20097 Hamburg Germany		
Registered office	22 Gas Street Birmingham B1 2JT		

Strategic report

The directors present their strategic report for the year ended 30 September 2019.

Business review

The profit and loss account of the Company is set out on page 11.

The directors are pleased to declare a record year, with turnover amounting to £54,843,000 *(2018: £49,903,000)* which reflects the success of the group in delivering new and enhanced products to the market and growth with key strategic customers. As a result, underlying gross margins have increased from £16,672,000 to £17,044,000.

The Company operates in a growing market sector and with further demographic changes anticipated in optics, such as an aging population, the indications are that this will continue for the foreseeable future.

Administrative expenses have increased from £9,667,000 to £10,067,000. The Company has continued to invest behind direct marketing with key business partners, the Zeiss brand, enhancing engagement with customers particularly with respect of new product launches and has further developed its internal capability through investment in people.

As a consequence of the above, operating profit year-on-year has decreased from £6,021,000 to £5,922,000. In view of the market conditions, uncertainty in the period surrounding Brexit, increasing competitiveness in the UK market and inflationary cost pressures on the sourcing of products, the directors consider the performance of the Company for the year as satisfactory.

The balance sheet is set out on page 13 of the financial statements and shows a decrease in net assets of £316,000 from £13,429,000 at 30 September 2018 to £13,113,000 at 30 September 2019. This decrease reflects the total comprehensive income for the year of £5,071,000 less payment of a £5,387,000 dividend by the Company to its parent.

The American Optical Limited defined benefit pension scheme shows an accounting surplus of £3,034,000 *(2018: £3,229,000)* which is recognised on the balance sheet under FRS 101. Further details are set out in note 18 to the financial statements.

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.

Future developments

The Carl Zeiss Vision group continues be well placed to win in the market due to it leading technological innovation, providing winning solutions and by focusing on improving the consumers eye care experience. Accordingly, despite the highly competitive nature of the UK market the directors are optimistic of continued improvements in performance. Further, being a member of the wider Carl Zeiss foundation gives the Company an excellent platform to meet this challenge.

Principal risks and uncertainties

The impact of COVID-19 remains unclear and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy. In an effort to maintain continuity of service and meet customer needs, the company made the decision to continue to operate during the lock-down period by maintaining critical operations for the supply of product to customers. This also enabled the Company to prepare for the period following lock-down so that it could actively support its customers in growing their businesses. Further information on this can be found in the Directors Report in the section concerning Going Concern. It is encouraging that the Company has seen a rapid recovery by its customers to normal operational revenues following the re-opening of their stores at the end of the lock-down period. Despite this, it is acknowledged that the outcome of the current COVID-19 pandemic remains unclear and constitutes an ongoing risk for the Company.

The Company continues to monitor the implications associated with Brexit. Negotiations for Brexit are underway, and the transition period is scheduled to elapse at the end of 2020. Uncertainty remains over whether the transition period will be extended and the scale and nature of any trade agreement that might emerge from the negotiations, it is therefore not currently possible to evaluate the potential implications to the Company. However, the directors are of the opinion that this does not impact the fair value of assets and liabilities, reported at the balance sheet date of 30 September 2019.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

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. This is further dealt with in note 22.

The Company is continuing a strategy of reducing the extent of its material purchases in foreign currencies; however, it continues to make significant raw material purchases in both Euros and US Dollars. The Company is therefore exposed to related prevailing market rate fluctuations. The Company takes advantage, where possible, of forward foreign exchange contracts management conducted by its parent for the collective benefit of the wider Group.

A.P.M. Leong-Son

AP Leong-Son
Director

30 September 2020

Directors' report

The directors present the annual report and the audited financial statements for the year ended 30 September 2019.

Principal activities

The Company's principal activities are the distribution and sale of ophthalmic lenses, equipment and associated products, either directly or indirectly, to the UK retail optical industry.

Going concern

The Company continues to have a strong balance sheet with net assets of £13,113,000 at 30th September 2019. As in previous years it has continued to generate positive cash flows and has no third-party debt.

The directors have reviewed the adoption of the going concern assumption, and have prepared detailed forecasts and projections to support their assessment of going concern. 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 of not less than twelve months from the date of signing of these financial statements.

The directors have also taken into account and considered the additional risks and impact related to the COVID-19 pandemic lockdown declared in March 2020.

During the period of the lockdown opticians were allowed to open only for emergency eye care and eye health and many such opticians chose to close their optical stores. The immediate impact of COVID-19 was therefore a marked reduction in revenue from our customers commencing in March 2020.

In order to support emergency eye care and consumer eye health the Company continued to operate throughout the period of the lockdown. The majority of the Company's employees were placed on the Government furlough scheme to the beginning of June 2020 but with a skeleton team to maintain critical operations for the supply of product to customers.

From 1st July 2020, all of the Company's employees returned to normal working arrangements. It is recognised that this was a difficult period for all our employees, however we recognise the hard work and dedication of those employees in our skeleton team who ensured a seamless service for our customers.

On 1st June in Ireland, 17th June in England, and 3rd August in Wales and Scotland, the official guidance changed to enable routine dispensing and consequently our customers began to re-open their optical stores. As a result, the company saw a rapid recovery of sales revenues. This recovery continued to the extent that by August 2020, operating revenues were consistent or greater than those pre the COVID-19 pandemic and versus revenue performance in the previous year.

The Company has consistently followed Government guidelines in this regard and has additionally adopted all necessary measures to ensure its premises meet COVID-19 secure requirements, whilst working closely with its employees to ensure a safe return to work.

The Company entered the COVID-19 lockdown in a strong financial position. With continued good operational and financial management and government support during the months of March to June 2020 the Company further exited the lockdown period in a strong financial position. The Company expects this strong financial position to continue in the future.

Despite this, it is currently expected that the financial statements in respect of the year ending 30 September 2020 will show a decline in revenues relative to the year ended 30 September 2019. However, they are expected to deliver an overall profit but at lower levels than achieved in the year ended 30 September 2019.

It is recognised that the outcome of the current COVID pandemic is uncertain. However, in the absence of any return to an equivalent protracted lock down it is not currently anticipated that the pandemic will have a lasting effect on the financial results beyond the year ending 30 September 2020.

To support the Company as a going concern, 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 foreseeable future. As set out in note 21, 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 directors have a reasonable expectation that the Carl Zeiss group has adequate resources and liquidity to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Directors' report *(continued)*

Going concern *(continued)*

For purposes of the 2019 financial statements, based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have concluded the Company has adequate resources to adopt the going concern basis of preparation for the financial statements.

Post balance sheet events

The directors work closely with management to anticipate risks from economic or global factors. In recent times, the Company has monitored and made preparations for any potential impact of Britain's departure from the EU and will continue to do so as more information becomes available. However, the COVID-19 pandemic is disrupting the world in ways no one has ever imagined, and the directors are working closely with management to anticipate and minimise any resulting disruption. A more detailed narrative of the actions taken in respect of the pandemic are set out in the assessment of going concern above.

The World Health Organisation did not declare the COVID-19 outbreak to be a public health emergency until January 2020, therefore any significant changes in business and economic events due to COVID-19 would be considered a non-adjustment subsequent event. As a result of the COVID-19 pandemic the Company has conducted an assessment on the potential human, operational and financial risk to the business.

The Company has assessed the potential impact on its business in the short-term to be manageable. This view is underpinned by business continuity planning, risk management and the internal control framework. Nonetheless, given continued uncertainty surrounding the outcome of the pandemic the directors acknowledge the long-term view remains a challenge and will continue to monitor developments and prepare accordingly.

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.

The Company and wider group strive to meet and exceed legislation concerning occupational health and has continued to invest in support of its Health and Wellbeing programme. The Company strives to provide good working conditions and an infrastructure upon which future development can be made.

Directors

The directors who served during the year were as follows:

AP Leong-Son
PA Green
P Bilsdorfer
S Hermann

Secretary

Prism Cosec Ltd.

Dividend

A dividend payment of £5,387,000 was made on 27 February 2019 *(2018: £4,300,000)*.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' 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.

Directors' report *(continued)*

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

On behalf of the board

A.P. M. Leong-Son

AP Leong-Son
Director

22 Gas Street
Birmingham
B1 2JT

30 September 2020

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 year. 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.

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

Opinion

We have audited the financial statements of Carl Zeiss Vision UK Limited for the year ended 30 September 2019 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 24, 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Emphasis of matter

We draw attention to Note 24 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

Opinions 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, set out on page 5, 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.

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

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

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

Andy Williams (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Birmingham

30 September 2020

Profit and loss account
for the year ended 30 September 2019

	Notes	2019 £000	2018 £000
Turnover	2	**54,843**	49,903
Cost of sales		**(37,799)**	(33,231)
Gross profit		**17,044**	16,672
Distribution costs		**(1,055)**	(984)
Administrative expenses		**(10,067)**	(9,667)
Operating profit		**5,922**	6,021
Dividend income		**630**	-
Interest receivable and similar income	6	**321**	341
Interest payable and similar charges	7	**(313)**	(301)
Profit before tax	3	**6,560**	6,061
Tax	8	**(1,301)**	(1,133)
Profit for the financial year		**5,259**	4,928

All results are derived from continuing activities.

There is no difference between the profit before taxation and the profit for the year stated above and their historical cost equivalent.

The notes on pages 15 to 33 form part of these financial statements.

Statement of other comprehensive income
for the year ended 30 September 2019

	2019 £000	2018 £000
Profit for the financial year	**5,259**	4,928
Other comprehensive income		
Actuarial (losses)/gains on defined pension scheme under FRS101	**(227)**	671
Net deferred tax on actuarial gains on defined pension scheme under FRS 101	**39**	(114)
Exchange differences on translation of foreign operations	**-**	1
Other comprehensive (loss)/income for the year, net of income tax	**(188)**	558
Total comprehensive income for the year	**5,071**	5,486

The notes on pages 15 to 33 form part of these financial statements.

Balance sheet
at 30 September 2019

	Notes	2019 £000	£000	2018 £000	£000
Non current assets					
Tangible assets	*9*	813		840	
Investments	*10*	-		-	
			813		840
Current assets					
Stocks	*11*	522		548	
Debtors: Amounts falling due within one year	*12*	17,933		16,159	
Debtors: Amounts falling due after one year	*12*	3,994		4,249	
Cash at bank and in hand		832		1,146	
		23,281		22,102	
Creditors: Amounts falling due within one year	*13*	(13,768)		(12,414)	
Net current assets			9,513		9,688
Total assets less current liabilities			10,326		10,528
Creditors: Amounts falling due after one year	*14*		(247)		(328)
Defined benefit pension scheme surplus	*18*		3,034		3,229
Net assets			13,113		13,429
Capital and reserves					
Called up share capital	*17*		3,378		3,378
Profit and loss account			6,288		6,604
Capital redemption reserve			3,447		3,447
Equity shareholder's funds			13,113		13,429

The notes on pages 15 to 33 form part of these financial statements.

These financial statements were approved by the directors on 30 September 2020 and were signed by:

PA Green
Director

Company number: 02838963

Statement of Changes in Equity

	Called up Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2017	3,378	3,447	5,418	12,243
Total comprehensive income for the year				
Profit or loss	-	-	4,928	4,928
Other comprehensive income	-	-	558	558
Total comprehensive income for the year	-	-	5,486	5,486
Transactions with owners, recorded directly in equity Dividends	-	-	(4,300)	(4,300)
Total contributions by and distributions to owners	-	-	(4,300)	(4,300)
Balance at 30 September 2018	3,378	3,447	6,604	13,429
Balance at 1 October 2018	3,378	3,447	6,604	13,429
Total comprehensive income for the year				
Profit or loss	-	-	5,259	5,259
Other comprehensive income	-	-	(188)	(188)
Total comprehensive income for the year	-	-	5,071	5,071
Transactions with owners, recorded directly in equity				
Dividends	-	-	(5,387)	(5,387)
Total contributions by and distributions to owners	-	-	(5,387)	(5,387)
Balance at 30 September 2019	**3,378**	**3,447**	**6,288**	**13,113**

Notes
(forming part of the financial statements)

1 Accounting policies

Carl Zeiss Vision UK Limited (the "Company") is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of Section 400 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.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").* The amendments to FRS 101 (2014/15 Cycle) issued in July 2016 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

On 1 October 2018, the Company adopted IFRS 9 "Financial Instruments" on a retrospective basis and IFRS 15 "Revenue from contracts with customers" using the cumulative effect method. There have been no material impacts on the Company's financial statements from adopting these standards.

The Company's ultimate parent undertaking, Carl Zeiss AG includes the Company in its consolidated financial statements. The consolidated financial statements of Carl Zeiss AG are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Carl-Zeiss-Strasse 22, 73447, Oberkochen, Germany.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Carl Zeiss AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 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.

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.

The directors have also taken into account and considered the additional risks and impact related to the COVID-19 pandemic declared in March 2020. In the period March to June 2020 many of the company's customers were unable to open their optical stores. For those which remained open, appointments were only possible for emergencies. The immediate impact of COVID-19 was therefore a marked reduction in orders from our customers commencing in March 2020. In the period commencing June 2020 to the date of signing these financial statements the Company has seen a rapid recovery by many of its customers to trading levels achieved before the commencement of the nationwide lock-down. Accordingly, the measures which the Company took during this period allied with its strong financial position will enable it to be well placed to perform successfully in the future. As noted in the Strategic Report, it is acknowledged however that there remain ongoing uncertainties associated with the COVID-19 pandemic.

In addition, and to support the going concern assumption, 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 foreseeable future. As set out in note 21, 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 directors have a reasonable expectation that the Carl Zeiss group has adequate resources and liquidity to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

For the year ended 30 September 2019, based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have concluded the Company has adequate resources to adopt the going concern basis of preparation for the financial statements.

1.3 Foreign currency

The financial statements are presented in Pounds (£), the Company's functional currency.

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in subsidiaries, trade and other debtors, cash and cash equivalents and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

1.6 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit of loss.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- plant, machinery and equipment - over 3 to 20 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements. *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.10 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of value added tax.

1.11 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Expense (continued)

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance leases recognised in profit or loss using the effective interest method, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.12 Taxation

Tax on the profit or loss 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 directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes *(continued)*

2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of VAT.

	2019 £000	2018 £000
Sales of goods	**54,843**	49,903
Total turnover	**54,843**	49,903
By geographical market:		
United Kingdom	**37,536**	34,359
Rest of Europe	**8,936**	7,733
Rest of World	**8,343**	7,811
	54,843	49,903

All turnover is derived from the principal activity of the company.

3 Expenses and auditor's remuneration

	2019 £000	2018 £000
Included in profit and loss are the following		
Depreciation of tangible fixed assets:		
Owned	**246**	244
Operating lease rentals:		
Plant and machinery	**236**	220
Other	**277**	270
Net change in fair value of foreign exchange contracts	**35**	(57)
Auditor's remuneration:		
Audit of these financial statements	**45**	36

Notes *(continued)*

4 Directors' remuneration

	2019	2018
	£000	£000
Directors' emoluments	**356**	530
Contributions to defined contribution pension scheme	**11**	11
Total emoluments	**369**	541

Highest paid director

	2019	2018
Directors' emoluments	**225**	371
Contributions to defined contribution pension scheme	**-**	-
Total emoluments	**225**	371

At the year end, retirement benefits are accruing to one director *(2018: one)* under the Company's defined contribution pension scheme and no directors *(2018: 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	
	2019	2018
Administration	**71**	62
Technical services	**37**	37
	108	99

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**6,544**	5,273
Social security costs	**577**	427
Contributions to defined contribution plans	**528**	405
	7,649	6,105

Notes *(continued)*

6 Interest receivable and similar income

	2019 £000	2018 £000
Interest on deposits held with fellow subsidiary undertakings	**15**	5
Interest on defined benefit plan assets (after deductions of scheme expenses)	**156**	172
Other interest receivable	**150**	164
	321	341

7 Interest payable and similar charges

	2019 £000	2018 £000
Net interest on net defined benefit plan liability	**312**	295
Other interest payable	**1**	6
	313	301

8 Taxation

Recognised in the profit and loss account

	2019 £000	2018 £000
UK corporation tax		
Current tax on profit for the year	**1,266**	1,072
Adjustment in respect of prior periods	**77**	(56)
Total current tax	**1,343**	1,016
Deferred tax		
Origination and reversal of temporary differences	**(43)**	63
Adjustment in respect of prior periods	**-**	54
Total deferred tax	**(43)**	117
Total tax	**1,301**	1,133

Notes *(continued)*

8 Taxation *(continued)*

Recognised in other comprehensive income

	2019 £000	2018 £000
Re-measurement of defined benefit asset	**(39)**	114
	(39)	114

Reconciliation of effective tax rate

The current tax charge for the year is higher *(2018: lower)* than the standard rate of corporation tax in the UK of 19% *(2018: 19%)*. The differences are explained below:

	2019 £000	2018 £000
Current tax reconciliation		
Profit before tax	**6,560**	6,061
Tax using the UK corporation tax rate of 19% *(2018: 19%)*	**1,246**	1,151
Non-deductible expenses	**40**	28
Adjustment in respect of prior periods	**77**	(2)
Other	**(62)**	(44)
Total tax expense	**1,301**	1,133

Factors that may affect future, current and total tax charges

In the March 2020 Budget the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. However, it is likely that the overall effect of the change, if it had been substantively enacted by the balance sheet date, would be to increase the deferred tax liability by £29,000.

Notes *(continued)*

9 Tangible fixed assets

	Plant, machinery and equipment £000
Cost	
At beginning of year	4,309
Additions	219
At end of year	4,528
Depreciation	
At beginning of year	3,469
Depreciation charge of the year	246
At end of year	3,716
Net book value	
At 30 September 2019	**813**
At 1 October 2018	840

10 Investments

	Shares in group undertakings £000
Cost and net book value at 1 October 2018 and 30 September 2019	-

The Company has the following investments in subsidiaries:

	Principal activity	**Country of incorporation**	**Class of shares held**	**Ownership 2019**	**Ownership 2018**
SILS Limited	Distributor of ophthalmic lenses	England and Wales	Ordinary	100%	100%

11 Stocks

	2019 £000	2018 £000
Finished goods and goods for resale	522	548

Notes *(continued)*

12 Debtors: Amounts falling due within one year

	2019 £000	2018 £000
Trade debtors	**10,051**	9,246
Amounts owed by parent undertakings	**4,951**	4,937
Amounts owed by subsidiary undertakings	**94**	25
Amounts owed by other Group undertakings	**509**	164
Other debtors	**5,768**	5,637
Prepayments and accrued income	**519**	399
Fair value of forward exchange contracts (see note 19)	**35**	-
	21,927	20,408
Due within one year	**17,933**	16,159
Due after more than one year	**3,994**	4,249

13 Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	**2,031**	2,734
Amounts owing to subsidiary undertaking	**222**	27
Amounts owing to other Group undertakings	**5,489**	5,100
Other taxes and social security costs	**961**	795
Corporation tax	**600**	406
Accruals	**4,465**	3,295
Fair value of forward exchange contracts (see note 19)	**-**	57
	13,768	12,414

14 Creditors: Amounts falling due after more than one year

	2019 £000	2018 £000
Deferred tax (see note 15)	**247**	328
	247	328

Notes *(continued)*

15 Deferred tax asset and liabilities

Recognised deferred tax assets and (liabilities)

Deferred tax assets and (liabilities) are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Tangible fixed assets	**124**	123	**-**	-	**124**	123
Employee benefits	**-**	-	**(515)**	(549)	**(515)**	(549)
Short term timing differences	**144**	98	**-**	-	**144**	98
Tax (assets)/liabilities	**268**	221	**(515)**	(549)	**(247)**	(328)
	268	221	**(515)**	(549)	**(247)**	(328)

Movement in deferred tax during the current and prior year

	1 October 2018 £'000	**Recognised in income £'000**	**Recognised in OCI £'000**	**30 September 2019 £'000**	1 October 2017 £'000	Recognised in income £'000	Recognised in OCI £'000	30 September 2018 £'000
Tangible fixed assets	**123**	**1**	**-**	**124**	125	(2)	-	123
Employee benefits	**(549)**	**(6)**	**39**	**(516)**	(367)	(68)	(114)	(549)
Others	**98**	**47**	**-**	**145**	145	(47)	-	98
Deferred tax assets/ (liabilities)	**(328)**	**42**	**39**	**(247)**	(97)	(117)	(114)	(328)

Notes *(continued)*

16 Obligations under leases and hire purchase contracts

The total amount payable under non-cancellable operating lease rentals are as follows:

	2019			2018		
	Land and buildings	**Others**	**Total**	Land and buildings	Other	Total
	£000	**£000**	**£000**	£000	£000	£000
Less than one year	**262**	**96**	**358**	259	119	378
Between one and five years	**739**	**99**	**838**	994	88	1,082
	1,001	**195**	**1,096**	1,253	207	1,460

Land and buildings have been considered separately for lease classification.

During the year £513,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2018: £490,000)*.

17 Share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid:		
3,378,000 ordinary shares of £1 each	**3,378**	3,378

Notes *(continued)*

18 Pension commitments

Defined benefit schemes

The Company operates a defined benefit scheme, the American Optical UK Limited Pension Scheme ("the Scheme"), which is funded by the payment of contributions to a separately administered trust fund. From 1 October 2013 the scheme has no contributing members. The Scheme currently has a sole Independent Trustee, who has a number of responsibilities, including the payment of benefits from the Trust to members in accordance with the Scheme's Trust Deed and Rules.

The Company historically sponsored three fully insured defined benefit pension arrangements. Two of these arrangements are fully insured with Scottish Widows and the other fully insured with Legal and General 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 or Legal and General be insufficient to meet the benefits promised, Scottish Widows or Legal and General 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 101.

As set out in Note 1 to the financial statements, pension costs are accounted for in accordance with the principles set out in FRS 101. The FRS 101 valuation of the Scheme's deficit or surplus is different to the valuation methodology used by the Scheme's Trustee in evaluating the deficit or surplus for meeting the requirements of the pension regulations, the "technical provisions" basis. The technical provisions basis is the same basis as used in the formal triennial valuation.

The contributions to the Scheme are determined on the basis of triennial valuations. The most recent funding valuation was that conducted with an effective date of 30 September 2018 which used the Projected Unit Method of valuation. The results of this valuation showed the Scheme to be in deficit, and in light of this, the Company and Trustee agreed to continue making contributions into the Scheme to recover the shortfall.

There have been no Scheme amendments, curtailments or settlements over the year to 30 September 2019.

	2019	2018
	£000	£000
Fair value plan assets	**16,338**	14,309
Defined benefit obligation	**(13,304)**	(11,080)
Net asset for defined benefit obligations	**3,034**	3,229

Notes *(continued)*

18 Pension commitments *(continued)*

Movements in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset/(liability)	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Opening balance	**(11,080)**	(11,491)	**14,309**	13,647	**3,229**	2,156
Included in profit or loss						
Interest (cost)/income	**(312)**	(295)	**404**	356	**92**	61
Scheme expenses	**-**	-	**(198)**	(184)	**(198)**	(184)
Past service cost	**(50)**	-	**-**	-	**(50)**	-
	(362)	(295)	**206**	172	**(156)**	(123)
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from						
- Changes in demographic assumptions	**-**	68	**-**	-	**-**	68
- Change in financial assumptions	**(2,190)**	435	**-**	-	**(2,190)**	435
- Experience adjustment	**47**	(62)	**-**	-	**47**	(62)
- Return on plan assets excluding interest income	**-**	-	**1,916**	230	**1,916**	230
Other						
Contributions paid by the employer	**-**	-	**188**	525	**188**	525
Benefits paid in respect of settlements	**281**	265	**(281)**	(265)	**-**	-
Balance at 30 September	**(13,304)**	(11,080)	**16,338**	14,309	**3,034**	3,229

Plan assets

	2019	2018
	£000	£000
Equities	**4,695**	4,552
Corporate Bonds	**3,308**	2,767
Government Bonds	**8,233**	6,860
Cash/current assets	**102**	130
Total plan assets	**16,338**	14,309

Scheme assets do not include any of the Company's own financial instruments, or any property occupied by the Company.

The expected contributions by the Company to the Scheme for the year 1 October 2019 to 30 September 2020 are £525,000 (£75,000 in respect of expense contributions and £450,000 in respect of voluntary contributions).

Notes *(continued)*

18 Pension commitments *(continued)*

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2019	2018
	%	%
Discount rate at 30 September	**1.80**	2.85
Future pension increases	**3.10**	3.20
RPI Inflation assumption	**3.10**	3.20
CPI Inflation assumption	**2.10**	2.20

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.0 years (male), 23.9 years (female).
- Future pensioner (currently aged 45) upon reaching 65: 23.4 years (male), 25.4 years (female).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by 0.5%.

	2019	2018
	£000	£000
Discount rate (-0.5% p.a.)	**c1,400**	c.1,100
Inflation (RPI, CPI) (+0.5% p.a.)	**c1,300**	c.1,000

In valuing the liabilities of the pension fund at 30 September 2019, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 30 September 2019 would have increased by £500,000 before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the end of the reporting period (c.20 years) and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the Scheme, it does provide an approximation to the sensitivity of the assumptions shown.

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 surplus or 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 valuation for financial statement purposes will take place at 30 September 2020.

Notes *(continued)*

19 Financial instruments

Fair value of financial instruments

The following financial instruments are measured at fair value through the profit and loss:

	Fair value 2019 £000	Fair value 2018 £000
Forward foreign exchange contracts – (liability)/asset	35	(57)

The company operates a policy of taking out forward exchange contracts, through a group facility to cover future forecasted payments to suppliers in Euro. These contracts are set up to cover monthly cash flows up to 12 months in advance and whilst they are intended to reduce the exchange risk of forecasted purchases, they are not designed in hedger relationships and are consequently measured at fair value through the profit and loss account.

The fair value of financial assets and liabilities are determined as follows:

Class of financial instruments measured at fair value	Valuation technique
Forward exchange contracts	Fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The following tables indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to affect profit or loss:

2019	Expected cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Forward exchange contracts:					
Assets	12,562	12,562	-	-	-

2018	Expected cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Forward exchange contracts:					
Assets	10,331	10,331	-	-	-

20 Related party transactions

The Company has taken advantage of the exception available to wholly owned subsidiary undertakings to not 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.

Notes *(continued)*

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 Accounting estimates and judgements

The key assumptions concerning the areas of uncertainty at the balance sheet date which have a significant risk of causing a material adjustment to carrying amounts are:

Defined benefit pension scheme

The American Optical UK Limited defined benefit pension scheme is currently in surplus as a result of a well-managed asset and investment strategy and the significant additional one-off contributions over recent years. The surplus 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 asset or liability 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.

The scheme is accounted for using methods that rely on actuarial assumptions to estimate costs and liabilities for inclusion in the financial statements. These actuarial assumptions include discount rates, assumed rates of return, salary increases and mortality rates.

Valuation of stock

The company has a formal policy for making provisions for stock to ensure they are stated at the lower of cost and net realisable value.

Recoverability of amounts owed by external trade debtors

The recoverability of amounts owed by external trade debtors is assessed at each balance sheet date. Appropriate provision are made where recoverability is not deemed probable.

23 Modern Slavery and Human Trafficking

The Company supports the aims of the Modern Slavery Act and publishes its statements annually on its website, zeiss.co.uk.

24 *Post balance sheet events*

The directors work closely with management to anticipate risks from economic or global factors. In recent times, the Company has monitored and made preparations for any potential impact of Britain's departure from the EU and will continue to do so as more information becomes available. However, the COVID-19 pandemic is disrupting the world in ways no one has ever imagined, and the directors are working closely with management to anticipate and minimise any resulting disruption. A more detailed narrative of the actions taken in respect of the pandemic are set out in the assessment of going concern above.

The World Health Organisation did not declare the COVID-19 outbreak to be a public health emergency until January 2020, therefore any significant changes in business and economic events due to COVID-19 would be considered a non-adjustment subsequent event. As a result of the COVID-19 pandemic the Company has conducted an assessment on the potential human, operational and financial risk to the business.

Notes *(continued)*

Post balance sheet events *(continued)*

The Company has assessed the potential impact of COVID-19 on its business in the short-term to be manageable. This view is underpinned by business continuity planning, risk management and the internal control framework. Nonetheless, given continued uncertainty surrounding the outcome of the pandemic the directors acknowledge the long-term view remains a challenge and will continue to monitor developments and prepare accordingly.

As experienced in other market sectors and industries, the COVID-19 pandemic has resulted in customers of the Company having to operate with greater financial constraints. Where possible the Company has attempted to work closely with its customers during this period and will continue to do so to promote a strong mutual recovery in the future. In its core business segments, the Company has seen a strong recovery by its customers in the post lock-down period from June 2020 onwards. Consequently, and based upon information available to the directors at the date of the signing of these financial statements, it is the view that Carl Zeiss Vision UK Limited will not be materially impacted by customers being unable to repay outstanding balances.