

Carl Zeiss Vision UK Limited

**Annual report and financial
statements**

Registered number 02838963

For the year ended 30 September 2020



Carl Zeiss Vision UK Limited
Annual report and financial statements
For the year ended 30 September 2020

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Directors and advisors

Directors
AP Leong-Son
PT Bilsdorfer
S Hermann
JM Beale

Secretary
Prism Cosec Ltd

Auditor
Ernst & Young LLP
One Colmore Square
Birmingham
B4 6HQ

Bankers
National Westminster Bank
5 Ormskirk Street
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WA10 1DR

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Bank of Ireland
88 Lower Camden Street
Dublin
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Registered office
22 Gas Street
Birmingham
B1 2JT

Strategic report

The directors present their strategic report for the year ended 30 September 2020.

Business review

The profit and loss account of the Company is set out on page 14.

The company's financial performance for the year has been significantly affected the COVID-19 pandemic. During the 1st national lockdown from March to June 2020 opticians were allowed to open for emergency eye care only and as such many opticians chose to close their optical stores. In effect, the Company lost the majority of its revenue during this period but continued to operate throughout to support emergency eye care and consumer eye health.

In June 2020, the official guidance changed to enable routine dispensing and consequently our customers began to re-open their stores. As a result, the company saw a rapid recovery of revenue. By August 2020 revenues were consistently greater than those generated in the previous year.

Despite this strong recovery, the closing position for the year ended 30 September 2020 reflected turnover amounting to £50,484,000 (2019: £54,843,000). This represents a reduction of 8.6%.

However, the Company operates in a growing market sector and with further demographic changes anticipated in optics the indications are that this will continue for the foreseeable future. In addition, the Group continues to deliver new and enhanced products to the market and expects further growth with its key strategic customers.

Despite the downturn in turnover, the Company, together with support provided by its parent, delivered underlying gross margins which have increased from £17,044,000 to £17,674,000 or +3.7%.

Administrative expenses decreased from £10,067,000 to £9,684,000 or -3.8%. During the period of the 1st lockdown the majority of the Company's employees were placed on the Government furlough scheme but with a skeleton team retained to maintain critical operations for the supply of product to customers. Further administrative cost savings related directly to the lower level of customer activity were achieved such as in travel and entertainment costs.

From July 2020 all of the Company's employees returned to normal working arrangements. The Company continued to invest in support of its customers during the entire period of the lockdown and to ensure that both our customers and the Company emerged from the lockdown in the best possible position.

Operating profit year-on-year has increased from £5,922,000 to £6,947,000 or +17.3%. In view of the unprecedented impact of the COVID-19 pandemic and additional uncertainty in the period surrounding Brexit, the directors consider the performance of the Company for the year as satisfactory.

The Company entered the COVID-19 lockdown in a strong financial position. With continued good operational and financial management, combined with Government support, the Company further exited the lockdown period in a strong financial position. The Company expects this strong financial position to continue in the future.

The balance sheet is set out on page 16 of the financial statements and shows an increase in net assets of £2,132,000 from £13,113,000 at 30 September 2019 to £15,245,000 at 30 September 2020. This increase reflects the total comprehensive income for the year of £5,633,000 less payment of a £3,500,000 dividend by the Company to its parent.

The American Optical Limited defined benefit pension scheme shows an accounting surplus of £3,560,000 (2019: £3,034,000) 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.

Strategic report (continued)

Future developments

The Carl Zeiss Vision group continues to be well placed to win in the market due to its 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 uncertain and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy. Further information on this can be found in the Directors' report in the section concerning Going Concern. It is encouraging that the Company saw a rapid recovery of revenues following the re-opening of its customers stores at the end of the 1st lockdown 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 UK's departure from the European Union (EU) on 1st January 2021 has brought additional risk to the Company's business environment. The Company's risk analysis identified the key areas which are likely to be impacted and which include our ability to provide continuous supply of our products to both UK and Ireland customers whilst maintaining our existing service promises, administrative burdens associated with shipping over the UK-EU border and the additional direct and indirect costs associated with these such as duty costs. The Company continues to closely monitor the implications post Brexit and set up a designated project team to provide focussed management during both the transitional and ongoing periods.

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.

Section 172 (1) Statement

The board of directors believe, both individually and as a collective, that they have acted in the best interests of the company in the decisions taken during the year to 30 September 2020. This is achieved through regular contact with each other, both verbally and in writing. The views and recommendations of the UK and Ireland senior management team are additionally taken into account.

The board is proud to be a subsidiary company in the ZEISS Group, which recognises that business success is directly linked to corporate responsibility. The company Carl Zeiss was founded in 1889 on the principles of the promotion of science and research, and the economic safeguarding of ZEISS and responsibility for employees – this culture underpins the ZEISS Code of Conduct and describes how the board conducts its business and decision-making.

The Zeiss group's AGENDA strategic framework shapes and steers our priorities and principal business decisions. Our commitment to an ongoing professional development program, including compliance and governance training, ensures that board members and members of the senior leadership team are equipped with the skills and understanding required to achieve our strategic and corporate responsibility goals.

Regular business reviews, conducted together with a member of the Zeiss Group Executive Board and all senior management representatives of the business segment, ensure that we retain focus on the required principal business decisions and governance topics required to achieve our strategic goals.

We define principal decisions as both those that are material to the group, but also those that are significant to any of our key stakeholder groups.

Strategic report (continued)

Suppliers

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

In return the company endeavours to pay its suppliers on time and in line with agreed payment terms.

Community and Environment

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

A handwritten signature in black ink, appearing to read 'A.P.M. Leong' followed by a stylized flourish.

AP Leong-Son
Director

16 June 2021

Directors' report

The directors present the annual report and the audited financial statements for the year ended 30 September 2020.

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 £15,245,000 at 30 September 2020. As in previous years it has continued to generate positive cash flows and has no third-party debt. The company also has access to a group cash pool to the value of £7.5m.

The directors have reviewed the adoption of the going concern assumption and have prepared detailed forecasts and projections to support their assessment. Allied with performance since the balance sheet date, and taking into account the additional risks and impact related to the ongoing COVID-19 pandemic, 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.

A significant difference between the 1st lockdown and subsequent lockdowns is that the official government guidance did enable routine dispensing i.e. opticians were not restricted to open only for emergency eye care and most opticians chose to open their optical stores. In addition, no UK or Ireland employees were furloughed.

The Company has consistently followed Government guidelines 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.

As detailed in the Strategic report, the Company entered the COVID-19 lockdown in a strong financial position. With continued good operational and financial management, combined with Government support, the Company further exited the lockdown period in a strong financial position. The Company expects this strong financial position to continue in the future.

It is recognised that the outcome of the current COVID pandemic is uncertain. However, in the absence of any return to an equivalent protracted lockdown 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.

For purposes of the 2020 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

With respect the ongoing COVID-19 pandemic and developments following the UK exit from the EU, 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.

Directors' report (continued)

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.

The Companies Act 2006 (Strategic Reporting and Directors' Reports) Regulations 2018 requires Carl Zeiss Vision UK Limited to disclose its annual UK energy consumption and Greenhouse Gas (GHG) emissions from SECR regulated sources. Energy and GHG emissions have been calculated for the reporting period 1 October 2019 to 30 September 2020.

Reported energy and GHG emissions data is compliant with SECR requirements and has been calculated in accordance with the GHG Protocol and SECR guidelines. Energy and GHG emissions are reported from buildings and transport where operational control is held. This includes electricity and business travel in company hired cars. There is no supply of gas to the premises used by Carl Zeiss Vision UK Limited and therefore no disclosure is included in the report.

The table below details energy and GHG emission sources from the current reporting period. As this is the first year of reporting, no comparison to previous years have been disclosed.

Energy (Kwh)		
	Electricity (Kwh)	114,164
	Transport (Kwh)	325,784
	Total Energy (Kwh)	439,948
Emissions (CO2e)		
	Electricity	26,616
	Transport	87,228
	Total (CO2e)	113,844
Intensity Metric		
SERC emissions per intensity metric (tCO2e / Turnover in £millions)		2.26

Carl Zeiss Vision UK Limited attaches great importance to a sustainable and economical use of resources as well as protecting the climate and environment. Sustainability is a key consideration from the development and manufacture of its products, through to packaging, paper usage shipment and disposal. There was an initiative to reduce paper usage by switching customers to paperless invoices and statements. The Executive Board of Carl Zeiss AG set clear targets for reducing energy consumption, carbon emissions, water consumption and waste.

In collating the information for the energy and carbon reporting in the table above the electricity meter readings have been provided by the energy supplier based on consumption and the CO2e conversion is based on HMRC guidance: UK electricity generated (managed assets) at a rate of 0.23314.

Directors' report (*continued*)

Environment (*Continued*)

Fuel [kWh] regarding company cars business use only have been obtained from the company Quartix tracker reporting, and the CO₂e conversion is based on HMRC guidance: Cars (by size) – Medium at a rate of 0.16637.

Carl Zeiss Vision UK participates in an annual sustainability report in accordance with Carl Zeiss Vision Group policies which satisfies all the requirements of UK SECR legislation, a copy of this report can be found here https://www.zeiss.com/content/dam/corporate-new/about-zeiss/responsibility/download/sustainability-report_2019_2020.pdf.

Modern slavery and human trafficking

The Company supports the aims of the Modern Slavery Act and published its statements annually on its website [zeiss.co.uk](https://www.zeiss.co.uk).

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.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can adequately be fulfilled by a disabled person. Where current employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Directors

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

AP Leong-Son
PA Green – resigned 31 December 2020
P Bilsdorfer
S Hermann
JM Beale – appointed 31 December 2020

Secretary

Prism Cosec Ltd.

Dividend

A dividend payment of £3,500,000 was made during the year (2019: £5,387,000).

Subsequent to the year end, the Directors recommended the payment of a final dividend of £4,800,000 which was paid on 10 March 2021.

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 handwritten signature in black ink, appearing to read 'A.P.M. Leong-Son', with a stylized flourish at the end.

AP Leong-Son
Director

22 Gas Street
Birmingham
B1 2JT

16 June 2021

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 2020 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 25, 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 2020 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.

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.

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

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 7 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

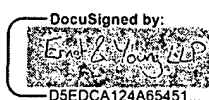
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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.



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

June 16, 2021

Carl Zeiss Vision UK Limited
Annual report and financial statements
For the year ended 30 September 2020

Profit and loss account
for the year ended 30 September 2020

	Notes	2020 £000	2019 £000
Turnover	2	50,484	54,843
Cost of sales		(32,810)	(37,799)
Gross profit		17,674	17,044
Distribution costs		(1,043)	(1,055)
Administrative expenses		(9,684)	(10,067)
Operating profit	3	6,947	5,922
Dividend income		-	630
Interest receivable and similar income	6	169	321
Interest payable and similar charges	7	(496)	(313)
Profit before tax		6,620	6,560
Tax	8	(1,149)	(1,301)
Profit for the financial year		5,471	5,259

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 18 to 37 form part of these financial statements.

Statement of other comprehensive income
for the year ended 30 September 2020

	2020 £000	2019 £000
Profit for the financial year	5,471	5,259
Other comprehensive income		
Actuarial gains/(losses) on defined pension scheme under FRS101	156	(227)
Net deferred tax on actuarial gains/(losses) on defined pension scheme under FRS 101	(26)	39
Exchange differences on translation of foreign operations	32	-
Other comprehensive income/(loss) for the year, net of income tax	162	(188)
Total comprehensive income for the year	5,633	5,071

The notes on pages 18 to 37 form part of these financial statements.

Carl Zeiss Vision UK Limited
Annual report and financial statements
For the year ended 30 September 2020

Balance sheet
at 30 September 2020

	Notes	2020 £000	£000	2019 £000	£000
Non current assets					
Tangible assets	9	2,241		813	
Investments	10	-		-	
			2,241		813
Current assets					
Stocks	11	1,198		522	
Debtors: Amounts falling due within one year	12	18,060		17,933	
Debtors: Amounts falling due after one year	12	5,730		3,994	
Cash at bank and in hand		1,322		832	
		26,310		23,281	
Creditors: Amounts falling due within one year	13	(15,489)		(13,768)	
Net current assets			10,821		9,513
Total assets less current liabilities			13,062		10,326
Creditors: Amounts falling due after one year	13	(1,034)		-	
Provision for liabilities	14	(343)		(247)	
Defined benefit pension scheme surplus	18	3,560		3,034	
Net assets			15,245		13,113
Capital and reserves					
Called up share capital	17	3,378		3,378	
Profit and loss account		8,420		6,288	
Capital redemption reserve	25	3,447		3,447	
Equity shareholder's funds			15,245		13,113

The notes on pages 18 to 37 form part of these financial statements.

These financial statements were approved by the directors on 16 June 2021 and were signed by:



AP Leong-Son
Director

Company number: 02838963

Carl Zeiss Vision UK Limited
Annual report and financial statements
For the year ended 30 September 2020

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 2018	3,378	3,447	6,604	13,429
Total comprehensive income for the year				
Profit for the year	-	-	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
Balance at 1 October 2019	3,378	3,447	6,288	13,113
Profit for the year	-	-	5,471	5,471
Other comprehensive income	-	-	162	162
Total comprehensive income for the year	-	-	5,633	5,633
Transactions with owners, recorded directly in equity				
Dividends	-	-	(3,500)	(3,500)
Total contributions by and distributions to owners	-	-	(3,500)	(3,500)
Balance at 30 September 2020	3,378	3,447	8,420	15,245

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 2019, the Company adopted IFRS 16 "Capital Lease Accounting" on a modified retrospective basis. There have been no material impacts on the Company's financial statements from adopting these standards, please see note 1.13 for assessed impact.

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.

Notes (continued)

1 Accounting policies (continued)

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.

1.2 Going concern

The Company continues to have a strong balance sheet with net assets of £15,245,000 at 30 September 2020. As in previous years it has continued to generate positive cash flows and has no third-party debt. The company also has access to a group cash pool to the value of £7.5m.

The directors have reviewed the adoption of the going concern assumption and have prepared detailed forecasts and projections to support their assessment. Allied with performance since the balance sheet date, and taking into account the additional risks and impact related to the ongoing COVID-19 pandemic, 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.

A significant difference between the 1st lockdown and subsequent lockdowns is that the official government guidance did enable routine dispensing i.e. opticians were not restricted to open only for emergency eye care and most opticians chose to open their optical stores. In addition, no UK or Ireland employees were furloughed.

The Company has consistently followed Government guidelines 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.

As detailed in the Strategic report, the Company entered the COVID-19 lockdown in a strong financial position. With continued good operational and financial management, combined with Government support, the Company further exited the lockdown period in a strong financial position. The Company expects this strong financial position to continue in the future.

It is recognised that the outcome of the current COVID pandemic is uncertain. However, in the absence of any return to an equivalent protracted lockdown 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.

For purposes of the 2020 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.

Notes (continued)

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 currency 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 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.

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 or loss.

A financial instrument is derecognised if the rights to cash flows have expired, for example, due to the conclusion of insolvency proceedings, a court ruling or depending on other circumstances in the local law.

Notes (continued)

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.

For prior period comparative purposes, following the adoption of IFRS 16, 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 in line with the impairment policy at section 1.14.

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.

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.

Notes (continued)

1.9 Employee benefits (continued)

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. Revenue is recognised when the customer obtains control of the goods or services and can benefit from them.

1.11 Expenses

Operating lease payments

For prior period comparative purposes, following the adoption of IFRS 16, 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

For prior period comparative purposes, following the adoption of IFRS 16, 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.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, for prior period comparative purposes, following the adoption of IFRS 16, 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 includes 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)

1.13 Leases

On 1 October 2019, the Company adopted IFRS 16 "Capital Lease Accounting" on a modified retrospective basis.

i) Right-of-use assets

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery 3 to 15 years
- Motor vehicles and other equipment 3 to 5 years

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 1.14 Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The company lease liabilities are included in Creditors (see note 13)

iii) Short-term leases and leases of low-value assets

The company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Notes (continued)

1.13 Leases (continued)

The overall impact on transition on 1 October 2019 for the Company is as follows:

Impact on the Financial Statements on transition:

	1 October 2019 £000
Right-of-use assets presented in 'Tangible Assets'	2,090
Lease Liabilities presented in 'Creditors'	(2,090)
Net change in 'Retained Earnings'	-

When measuring lease liabilities for leases that were classified as operating leases, the company discounted the remaining lease payments using the incremental borrowing rate of 2.87% at 1 October 2019.

Reconciliation of operating lease commitment to recognition of lease liability:

	1 October 2019 £000
IAS 17 Operating lease commitments at 30 September 2019	2,220
Deduct low value and leases expiring in 12 months or fewer	(6)
Impact of discounting operating lease commitments to present value	(124)
Lease liability recognised at 1 October 2019	2,090

Further disclosures required by IFRS 16 are presented in notes 9, 13 & 14

1.14 Impairment of non-financial assets

i) At the end of each reporting period, in accordance with IAS 36, the business is required to assess whether there is any indication that an asset may be impaired (i.e. its carrying amount may be higher than its recoverable amount). This is done by using a list of external and internal indicators of impairment. If there is an indication that an asset may be impaired, then the asset's recoverable amount must be calculated.

ii) Indications of impairment

External sources:

- market value declines
- negative changes in technology, markets, economy, or laws
- increases in market interest rates
- net assets of the company higher than market capitalisation

Internal sources:

- obsolescence or physical damage asset is idle,
- part of a restructuring or held for disposal
- worse economic performance than expected
- Further, an indication that an asset may be impaired may indicate that the asset's useful life, depreciation method, or residual value may need to be reviewed and adjusted.

iii) Determining recoverable amount

If fair value less costs of disposal or value in use is more than carrying amount, it is not necessary to calculate the other amount. The asset is not impaired. If fair value less costs of disposal cannot be determined, then recoverable amount is value in use. For assets to be disposed of, recoverable amount is fair value less costs of disposal.

Notes (continued)

1.14 Impairment of non-financial assets (continued)

iv) Recognition of an impairment loss

An impairment loss is recognised whenever recoverable amount is below carrying amount. The impairment loss is recognised as an expense (unless it relates to a revalued asset where the impairment loss is treated as a revaluation decrease).

2 Turnover

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

	2020 £000	2019 £000
Sales of goods	50,484	54,843
Total turnover	50,484	54,843
By geographical market:		
United Kingdom	32,715	37,536
Rest of Europe	9,320	8,936
Rest of World	8,449	8,343
	50,484	54,843

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

Notes (continued)

3 Operating profit

	2020 £000	2019 £000
<i>Included in profit and loss are the following</i>		
Depreciation of tangible fixed assets:		
Owned	237	246
Right of use assets	560	-
Operating lease rentals:		
Plant and machinery	-	236
Other	-	277
Net change in fair value of foreign exchange contracts	207	35
	<hr/>	<hr/>
Auditor's remuneration:		
Audit of these financial statements	45	45
	<hr/>	<hr/>

4 Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	449	356
Contributions to defined contribution pension scheme	11	11
	<hr/>	<hr/>
Total emoluments	460	369
	<hr/>	<hr/>
<i>Highest paid director</i>		
Directors' emoluments	297	225
Contributions to defined contribution pension scheme	-	-
	<hr/>	<hr/>
Total emoluments	297	225
	<hr/>	<hr/>

At the year end, retirement benefits are accruing to one director (2019: one) under the Company's defined contribution pension scheme and no directors (2019: none) under the Company's defined benefit scheme.

Notes (continued)

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	
	2020	2019
Administration	75	71
Technical services	41	37
	<u>116</u>	<u>108</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
	2020	2019
Wages and salaries	5,899	6,544
Social security costs	680	577
Contributions to defined contribution plans	437	528
	<u>7,016</u>	<u>7,649</u>

6 Interest receivable and similar income

	2020	2019
	£000	£000
Interest on deposits held with fellow subsidiary undertakings	6	15
Interest on defined benefit plan assets (after deductions of scheme expenses)	-	156
Other interest receivable	163	150
	<u>169</u>	<u>321</u>

7 Interest payable and similar charges

	2020	2019
	£000	£000
Net interest on net defined benefit plan liability	155	312
Other interest payable	304	1
Foreign exchange	37	-
	<u>496</u>	<u>313</u>

Notes (continued)

8 Taxation

Recognised in the profit and loss account

	2020 £000	2019 £000
<i>UK corporation tax</i>		
Current tax on profit for the year	1,234	1,266
Adjustment in respect of prior periods	(155)	77
	<hr/>	<hr/>
Total current tax	1,079	1,343
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	70	(43)
	<hr/>	<hr/>
Total deferred tax	70	(43)
	<hr/>	<hr/>
Total tax	1,149	1,301
	<hr/>	<hr/>

Recognised in other comprehensive income

	2020 £000	2019 £000
Re-measurement of defined benefit asset	26	(39)
	<hr/>	<hr/>
	26	(39)
	<hr/>	<hr/>

Reconciliation of effective tax rate

The current tax charge for the year is lower (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
<i>Current tax reconciliation</i>		
Profit before tax	6,620	6,560
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2019: 19%)	1,258	1,246
	<hr/>	<hr/>
Non-deductible expenses	53	40
Adjustment in respect of prior periods	(155)	77
Other	(7)	(62)
	<hr/>	<hr/>
Total tax expense	1,149	1,301
	<hr/>	<hr/>

Factors that may affect future, current and total tax charges

A planned and previously enacted reduction in the UK corporation tax rate from 19% to 17% effective 1 April 2020 was reversed by Government in March 2020, so that the rate will remain at 19% for the tax years starting April 2020 and April 2021. The deferred tax liability at 30 September 2020 has therefore been calculated based on a rate of 19%.

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Notes (continued)

9 Tangible fixed assets

	Right of use Land & Buildings assets £000	Right of use Plant & Machinery assets £000	Plant & Machinery assets £000	Total tangible fixed assets £000
<i>Cost</i>				
At beginning of year	-	-	4,528	4,528
Adoption of IFRS 16 (see note 1)	1,700	390	-	2,090
At beginning of year as restated	1,700	390	4,528	6,618
Additions	-	-	136	136
At the end of the year	1,700	390	4,663	6,754
<i>Depreciation</i>				
At beginning of year	-	-	3,716	3,716
Depreciation charge for the year	395	165	237	797
At the end of the year	395	165	3,953	4,554
<i>Net book value</i>				
At 30 September 2020	1,305	225	710	2,241
At 1 October 2019	1,700	390	813	2,862

10 Investments

	Shares in group undertakings £000
Cost and net book value at 1 October 2019 and 30 September 2020	-

The Company has the following investments in subsidiaries:

	Principal activity	Country of incorporation	Class of shares held	Ownership	
				2020	2019
SILS Limited 22 Gas Street Birmingham B1 2JT	Distributor of ophthalmic lenses	England and Wales	Ordinary	100%	100%

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Notes (continued)

11 Stocks

	2020 £000	2019 £000
Finished goods and goods for resale	1,198	522

12 Debtors: Amounts falling due within one year

	2020 £000	2019 £000
Trade debtors	12,832	10,051
Amounts owed by parent undertakings	3,469	4,951
Amounts owed by subsidiary undertakings	55	94
Amounts owed by other Group undertakings	440	509
Other debtors	6,289	5,768
Prepayments and accrued income	438	519
Fair value of forward exchange contracts (see note 19)	267	35
	<u>23,790</u>	<u>21,927</u>
Due within one year	18,060	17,933
Due after more than one year	5,730	3,994

13 Creditors

	2020 £000	2019 £000
Amounts falling due within one year		
Trade creditors	4,006	2,031
Amounts owing to subsidiary undertaking	419	222
Amounts owing to other Group undertakings	3,855	5,489
Other taxes and social security costs	1,336	961
Corporation tax	742	600
Accruals	4,554	4,465
Fair value of forward exchange contracts (see note 19)	59	-
Liabilities from leases (see note 26)	518	-
	<u>15,489</u>	<u>13,768</u>
Amounts falling due after one year		
Liabilities from leases (see note 26)	1,034	-
	<u>1,034</u>	<u>-</u>

Notes (continued)

14 Provisions for liabilities

	2020 £000	2019 £000
Deferred tax (see note 15)	343	247
	<u>343</u>	<u>247</u>

15 Deferred tax asset and liabilities

Recognised deferred tax assets and (liabilities)

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

	Assets 2020 £000	2019 £000	Liabilities 2020 £000	2019 £000	Net 2020 £000	2019 £000
Tangible fixed assets	131	124	-	-	131	124
Employee benefits	-	-	(676)	(515)	(676)	(515)
Short term timing differences	202	144	-	-	202	144
	<u>333</u>	<u>268</u>	<u>(676)</u>	<u>(515)</u>	<u>(343)</u>	<u>(247)</u>
Tax (assets)/liabilities	<u>333</u>	<u>268</u>	<u>(676)</u>	<u>(515)</u>	<u>(343)</u>	<u>(247)</u>
	<u>333</u>	<u>268</u>	<u>(676)</u>	<u>(515)</u>	<u>(343)</u>	<u>(247)</u>

16 Obligations under leases and hire purchase contracts

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

	Land and buildings £000	2019 Other £000	Total £000
Less than one year	420	137	557
Between one and five years	1,284	266	1,550
More than five years	113	-	113
	<u>1,817</u>	<u>403</u>	<u>2,220</u>

Land and buildings have been considered separately for lease classification.

During the 2019 year £513,000 was recognised as an expense in the profit and loss account in respect of operating leases.

Notes (continued)

17 Share capital

	2020 £000	2019 £000
<i>Allotted, called up and fully paid:</i>		
3,378,000 ordinary shares of £1 each	3,378	3,378

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 2020.

	2020 £000	2019 £000
Fair value plan assets	16,864	16,338
Defined benefit obligation	(13,304)	(13,304)
Net asset for defined benefit obligations	3,560	3,034

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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)	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Opening balance	(13,304)	(11,080)	16,338	14,309	3,034	3,229
Included in profit or loss						
Interest (cost)/income	(237)	(312)	294	404	57	92
Scheme expenses	-	-	(212)	(198)	(212)	(198)
Past service cost	-	(50)	-	-	-	(50)
	(237)	(362)	82	206	(155)	(156)
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from						
- Changes in demographic Assumptions	(61)	-	-	-	(61)	-
- Change in financial assumptions	(27)	(2,190)	-	-	(27)	(2,190)
- Experience adjustment	23	47	-	-	23	47
- Return on plan assets excluding interest income	-	-	221	1,916	221	1,916
Other						
Contributions paid by the employer	-	-	525	188	525	188
Benefits paid in respect of settlements	302	281	(302)	(281)	-	-
Balance at 30 September	(13,304)	(13,304)	16,864	16,338	3,560	3,034

Plan assets

	2020 £000	2019 £000
Equities	3,355	4,695
Corporate Bonds	-	3,308
Government Bonds	13,392	8,233
Cash/current assets	117	102
Total plan assets	16,864	16,338

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 2020 to 30 September 2021 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)

	2020 %	2019 %
Discount rate at 30 September	1.60	1.80
Future pension increases	2.90	3.10
RPI Inflation assumption	2.90	3.10
CPI Inflation assumption	1.90	2.10

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: 22.2 years (male), 24.1 years (female).
- Future pensioner (currently aged 45) upon reaching 65: 23.5 years (male), 25.7 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%.

	2020 £000	2019 £000
Discount rate (-0.5% p.a.)	c1,400	c1,400
Inflation (RPI, CPI) (+0.5% p.a.)	c1,300	c1,300

In valuing the liabilities of the pension fund at 30 September 2020, 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 2020 would have increased by £600,000 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 2021.

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 2020 £000	Fair value 2019 £000
Forward foreign exchange contracts – asset	207	35

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

	Expected cash flows £000	1 year or less £000	2020		
			1 to <2 years £000	2 to <5 years £000	5 years and over £000
Forward exchange contracts:					
Assets	11,739	11,739	-	-	-
	Expected cash flows £000	1 year or less £000	2019		
			1 to <2 years £000	2 to <5 years £000	5 years and over £000
Forward exchange contracts:					
Assets	12,562	12,562	-	-	-

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 smallest and 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.

Customer loans are assessed at half year end and balance sheet date to ensure that events haven't occurred which could have significant impact on the expected future cash flows of the financial asset. If this is found to be the case an impairment will be considered on an individual loan basis.

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

With respect the ongoing COVID-19 pandemic and developments following the UK exit from the EU, 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.

Notes (continued)

25 Capital Redemption Reserve

This reserve represents the nominal value of shares cancelled.

26 Leases

The company has lease contracts for various items of plant, machinery, vehicles and property used in its operations. Leases of property and plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

Details of the assets recognised because of these leases are detailed in note 9 – Tangible fixed assets, while details of the overall accounting policy and standards applied under IFRS 16 are detailed in note 1.13 – Leases.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual payments:

	2020 £000
Less than one year	518
One to five years	947
More than five years	87
Total Lease Liabilities	1,552

Contractual undiscounted cashflows are as follows:

Less than one year	557
One to five years	986
More than five years	90
	1,633
Less finance charges allocated to future periods	(81)
Total Lease Liabilities	1,552