

**Carl Zeiss SMT Limited**

**Directors' report and financial  
statements**

Registered number 3053545

30 September 2007



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2007

### Results and dividends

The profit for the year, after taxation, amounted to £3,195,000 (2006 £1,592,000) The directors do not recommend the payment of any dividends (2006 £nil)

### Principal activities and business review

The principal activity of the company continues to be the manufacture, sale and service of electron microscopes and related components and assemblies

This year has been characterised by a steady year-on-year growth of the company's turnover This, combined with our applied operational excellence and cost reduction measures, enabled the company to increase its operating profit by £1,789,000 year on year

### Principal risks and uncertainties

Competitive pressure in major markets is a continuing risk for the company, which could result in even higher price pressure in our addressed markets In turn this can lead to the company losing sales to its key competitors The company manages this risk by continuous market screening, providing innovative products, looking for new business opportunities and by continuously working on its cost position

The company's operations also expose it to certain other financial risks including foreign currency risk, credit risk and interest rate risk

The company's sales overseas are made in foreign currency in certain territories, particularly in the US, Germany, and France The company participates in the Group Cash Management and Treasury function, where risks related to foreign exchange rate fluctuations are managed

Additionally, the company employ various procedures to keep customer credit risk to a minimum These include use of letters of credit, company monitoring agencies and using appropriate terms of sale, such as prepayment where necessary

To reduce interest rate risk the group aggregates its constituent companies' cash holdings for purposes of effective treasury control This is also helped by the group maintaining strong control over the company's borrowings

### Key performance indicators

The key performance indicators for the company are gross margin and EBIT Performance in these areas during the year has been very satisfactory

### Future developments

It is expected that the business environment will remain challenging with strong competition in all major markets

### Research and development

The company is committed to maintaining its significant research and development activities, which will result in new products and improvements in existing products Research and development projects currently exist in all product areas

## Directors' report *(continued)*

### Directors

The directors who held office during the year were as follows

Dr D Stenkamp  
Dr S Traeger (resigned 11 November 2007)  
Dr H Gerlinger (resigned 11 November 2007)  
S Mueller  
Dr M Dilger

The directors who were appointed after the balance sheet date were as follows

R Taylor (appointed 12 November 2007)  
A McBride (appointed 12 November 2007)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company

According to the register of directors' interests, no rights to subscribe for shares in the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year

### Political and charitable contributions

The company made no political or charitable contributions during the year (2006 £nil)

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

  
M Dilger  
Director

*Aberkaneu, Sept 8<sup>th</sup>, 2008*

511 Coldham's Lane  
Cambridge  
Cambridgeshire  
CB1 3JS

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



## **KPMG LLP**

Aquis Court  
31 Fishpool Street  
St Albans  
AL3 4RF  
United Kingdom

### **Independent auditors' report to the members of Carl Zeiss SMT Limited**

We have audited the financial statements of Carl Zeiss SMT Limited for the year ended 30 September 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of Carl Zeiss SMT Limited**  
*(continued)*

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*K. P. M. G. LLP*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

*7 October*

2008

**Profit and loss account**  
*for the year ended 30 September 2007*

|  | <i>Note</i>    | <b>2007</b><br><b>£000</b> | <b>2006</b><br><b>£000</b> |
|--|----------------|----------------------------|----------------------------|
| <b>Turnover</b>  | <b>2</b>       | <b>19,123</b>              | <b>18,647</b>              |
| Change in stock of finished goods and work in progress | <b>447</b>     | <b>(157)</b>               |                            |
| Raw materials and consumables                          | <b>(9,137)</b> | <b>(9,541)</b>             |                            |
| Staff costs  | <b>(2,998)</b> | <b>(3,087)</b>             |                            |
| Depreciation   | <b>(89)</b>    | <b>(102)</b>               |                            |
| Other operating charges                                | <b>(3,259)</b> | <b>(3,462)</b>             |                            |
|  |                | <b>(15,036)</b>            | <b>(16,349)</b>            |
| <b>Operating profit</b>                                | <b>3</b>       | <b>4,087</b>               | <b>2,298</b>               |
| Interest receivable                                    | <b>6</b>       | <b>103</b>                 | <b>11</b>                  |
| Income from share in subsidiary undertakings           |                | <b>404</b>                 | <b>-</b>                   |
| Interest payable and similar charges                   | <b>7</b>       | <b>(227)</b>               | <b>(156)</b>               |
| Other finance income                                   | <b>8</b>       | <b>140</b>                 | <b>83</b>                  |
| <b>Profit on ordinary activities before taxation</b>   |                | <b>4,507</b>               | <b>2,236</b>               |
| Tax on profit on ordinary activities                   | <b>9</b>       | <b>(1,312)</b>             | <b>(644)</b>               |
| <b>Profit for the financial year</b>                   | <b>19</b>      | <b>3,195</b>               | <b>1,592</b>               |

The notes on pages 9 to 21 form part of the financial statements

All turnover and operating profit are derived from continuing operations in the current and previous periods



**Balance sheet**  
*at 30 September 2007*

|   | <i>Note</i> | 2007<br>£000   | 2006<br>£000   |
|---|-------------|----------------|----------------|
| <b>Fixed assets</b>   |             |                |                |
| Tangible assets   | 10          | 304            | 360            |
| Investments   | 11          | 11,720         | 11,720         |
|   |             | <u>12,024</u>  | <u>12,080</u>  |
| <b>Current assets</b>   |             |                |                |
| Stocks  | 12          | 2,801          | 2,354          |
| Debtors (including assets due in greater than one year of £113,000 (2006 £503,000)) | 13          | 6,763          | 4,910          |
| Cash at bank and in hand  |             | 1,807          | 2,106          |
|   |             | <u>11,371</u>  | <u>9,370</u>   |
| <b>Creditors: amounts falling due within one year</b>                               | 14          | <u>(7,911)</u> | <u>(8,840)</u> |
| <b>Net current assets</b>   |             | <u>3,460</u>   | <u>530</u>     |
| <b>Total assets less current liabilities</b>  |             | <u>15,484</u>  | <u>12,610</u>  |
| <b>Creditors: amounts falling due after more than one year</b>                      | 15          | (187)          | -              |
| <b>Provisions for liabilities and charges</b>                                       | 16          | (266)          | (682)          |
| <b>Net assets excluding pension liability</b>                                       |             | <u>15,031</u>  | <u>11,928</u>  |
| Pension surplus / (liability)   | 21          | 224            | (1,814)        |
|   |             | <u>15,255</u>  | <u>10,114</u>  |
| <b>Capital and reserves</b>   |             |                |                |
| Called up share capital   | 18,19       | 2,700          | 2,700          |
| Share premium account   | 19          | 1,670          | 1,670          |
| Profit and loss account   | 19          | 10,885         | 5,744          |
| <b>Shareholders' funds</b>  | 19          | <u>15,255</u>  | <u>10,114</u>  |

The notes on pages 9 to 21 form part of the financial statements

These financial statements were approved by the board of directors on *Sept. 8<sup>th</sup>*, 2008 and were signed on its behalf by

  
M Dilger  
Director

**Statement of total recognised gains and losses**  
*for the year ended 30 September 2007*

|   | <b>2007</b>  | <b>2006</b>  |
|---|--------------|--------------|
|   | <b>£000</b>  | <b>£000</b>  |
| <b>Profit for the financial year</b>                                    | <b>3,195</b> | <b>1,592</b> |
| Actuarial gain recognised in the pension scheme                         | 2,701        | 376          |
| Deferred tax arising on gains in the pension scheme                     | (755)        | (113)        |
|   | <hr/>        | <hr/>        |
| <b>Total recognised gains and losses relating to the financial year</b> | <b>5,141</b> | <b>1,855</b> |
|   | <hr/>        | <hr/>        |

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

#### *Basis of preparation*

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

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

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

The consolidated financial statements of Carl Zeiss AG, within which this company is included, can be obtained from the address given in note 22.

As the company is a wholly owned subsidiary of Carl Zeiss AG, the company has taken advantage of the exemption contained in FRS 8 "Related party transactions" and has therefore not disclosed transactions or balances with entities which form part of the group.

#### *Research and development*

Research and development expenditure is expensed as incurred.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

|                    |   |   |
|--------------------|---|---|
| Leasehold property | - | 10 years or the remaining period of the lease if sooner |
| Plant & equipment  | - | 3-10 years  |

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

|   |   |   |
|---|---|---|
| Raw materials, consumables and goods for resale | - | purchase cost on a first-in, first-out basis  |
| Work in progress and finished goods             | - | cost of direct materials and labour plus attributable overheads based on a normal level of activity |

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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Taxation***

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

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

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### ***Leases***

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

#### ***Post-retirement benefits***

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company also operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees working life with the company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus / deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

The company does not provide any other post-retirement benefits.

#### ***Installation, warranty and customer training costs***

Estimated future costs of installation, warranty and customer training which are anticipated to arise on instrument system sales are charged to the profit and loss account as the revenues on the related instrument system sales are recognised.

#### ***Investments***

Fixed asset investments are stated at cost less any provision for impairment.

## Notes (continued)

### 2 Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and sales-related taxes. Sales of goods are recognised as at the date of shipment. Service related sales are recognised when the related work is performed or, in the case of long-term contracts, evenly over the life of such term contracts. All of the company's turnover derives from the company's principal activity.

The company has made use of the exemption, in paragraph 55(5), schedule 4 of the Companies Act 1985, not to disclose the analysis of turnover by geographical market as, in the opinion of the directors, it would be seriously prejudicial to the interests of the company to do so.

### 3 Profit on ordinary activities before taxation

|  | 2007<br>£000 | 2006<br>£000 |
|--|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated after charging</i>        |              |              |
| Research and development expenditure   | 1,638        | 1,287        |
| Depreciation of owned fixed assets   | 84           | 102          |
| Operating lease rentals – land and buildings   | 291          | 291          |
| – plant and machinery  | 75           | 69           |
| Net loss on foreign currency translation   | 179          | 58           |
|  | <hr/>        | <hr/>        |
| <i>Auditors' remuneration</i>  |              |              |
|  | 2007<br>£000 | 2006<br>£000 |
| Fees payable to the company's auditor for the audit of the company's annual accounts | 33           | 36           |
|  | <hr/>        | <hr/>        |

## Notes (continued)

### 4 Remuneration of directors

|                       | 2007<br>£000 | 2006<br>£000 |
|-----------------------|--------------|--------------|
| Directors' emoluments | 130          | 135          |

During the year, no director was a member of the company defined benefit pension scheme (2006 none). During the year four other Directors were also Directors of other group companies and were remunerated by those group companies.

### 5 Staff numbers and costs

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

|                          | Number of employees |           |
|--------------------------|---------------------|-----------|
|                          | 2007                | 2006      |
| Production               | 24                  | 23        |
| Marketing and selling    | 10                  | 10        |
| Service and spares       | 19                  | 19        |
| Research and development | 20                  | 21        |
| Administration           | 5                   | 6         |
|                          | <u>78</u>           | <u>79</u> |

The aggregate payroll costs of these persons were as follows:

|                                | 2007<br>£000 | 2006<br>£000 |
|--------------------------------|--------------|--------------|
| Wages and salaries             | 2,246        | 2,296        |
| Social security costs          | 239          | 254          |
| Other pension costs            | 239          | 208          |
| Current and past service costs | 274          | 329          |
|                                | <u>2,998</u> | <u>3,087</u> |

### 6 Interest receivable

|                          | 2007<br>£000 | 2006<br>£000 |
|--------------------------|--------------|--------------|
| Bank interest receivable | 103          | 11           |
|                          | <u>103</u>   | <u>11</u>    |

## Notes (continued)

### 7 Interest payable and similar charges

|  | 2007<br>£000 | 2006<br>£000 |
|--|--------------|--------------|
| Bank interest payable                                      | -            | 4            |
| Interest on loans from group companies and similar charges | 48           | 152          |
| Loss on foreign exchange                                   | 179          | -            |
|  | <u>227</u>   | <u>156</u>   |

### 8 Other finance income

|  | 2007<br>£000 | 2006<br>£000 |
|--|--------------|--------------|
| Expected return on pension scheme assets (see note 21) | 815          | 721          |
| Interest on pension scheme liabilities (see note 21)   | (675)        | (638)        |
|  | <u>140</u>   | <u>83</u>    |

### 9 Taxation

#### *Tax on profit on ordinary activities*

#### Analysis of charge in period

|  | 2007<br>£000 | 2006<br>£000 |
|--|--------------|--------------|
| <i>UK corporation tax</i>  |              |              |
| Current tax on income for the period   | 1,313        | 688          |
| Adjustments in respect of prior periods  | 110          | (36)         |
|  | <u>1,423</u> | <u>652</u>   |
| <i>Deferred tax (see notes 13 and 21)</i>  |              |              |
| Origination/reversal of timing differences   | (3)          | 3            |
| Deferred tax movement on pension scheme surplus / deficit (offset against pension surplus / (liability) in the balance sheet | (53)         | (11)         |
| Deferred tax movement on pension scheme surplus / deficit as a result of change in tax rate from 30% to 28%                  | (55)         |              |
|  | <u>1,312</u> | <u>644</u>   |
| Tax on profit on ordinary activities   |              |              |

## Notes (continued)

### 9 Taxation (continued)

#### Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2006 lower) than the standard rate of corporation tax in the UK (30%, 2006 30%). The differences are explained below

|  | 2007<br>£000 | 2006<br>£000 |
|--|--------------|--------------|
| <i>Current tax reconciliation</i>                        |              |              |
| Profit on ordinary activities before tax                 | 4,507        | 2,236        |
|  | <hr/>        | <hr/>        |
| Current tax at 30% (2006 30%)                            | 1,352        | 671          |
| <i>Effects of</i>  |              |              |
| Expenses not deductible for tax purposes                 | 16           | 20           |
| Capital allowances for period in excess of depreciation  | (3)          | (3)          |
| Adjustments to tax charge in respect of previous periods | 110          | (36)         |
| Other permanent differences                              | (52)         | -            |
|  | <hr/>        | <hr/>        |
| Total current tax charge (see above)                     | 1,423        | 652          |
|  | <hr/>        | <hr/>        |

#### Factors that may affect future current and total tax charges

In March 2007 the UK Government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. This legislation was substantially enacted in June 2007. Therefore deferred tax assets and liabilities as at 30 September 2007 have been calculated using a rate of 28%.

#### Deferred tax

Deferred taxation asset recognised in the financial statements and the amount not provided are as follows

|  | 2007             |                      | 2006             |                      |
|--|------------------|----------------------|------------------|----------------------|
|  | Provided<br>£000 | Not provided<br>£000 | Provided<br>£000 | Not provided<br>£000 |
| Difference between accumulated depreciation and capital allowances | 25               | -                    | 22               | -                    |
| Capital losses available   | -                | 982                  | -                | 982                  |
|  | <hr/>            | <hr/>                | <hr/>            | <hr/>                |
| Deferred taxation  | 25               | 982                  | 22               | 982                  |
|  | <hr/>            | <hr/>                | <hr/>            | <hr/>                |

The deferred tax in relation to the capital losses has not been recognised as the Directors cannot be certain of recoverability.

A deferred tax liability of £87,000 (2006 deferred tax asset of £777,000) arises in relation to the pension scheme (see note 21). This amount is recognised and is offset against the pension scheme surplus / deficit.



## Notes (continued)

### 10 Tangible fixed assets

|                       | Leasehold<br>property<br>£000 | Plant &<br>equipment<br>£000 | Total<br>£000 |
|-----------------------|-------------------------------|------------------------------|---------------|
| <b>Cost</b>           |                               |                              |               |
| At beginning of year  | 476                           | 634                          | 1,110         |
| Additions             | -                             | 28                           | 28            |
|                       | <hr/>                         | <hr/>                        | <hr/>         |
| At end of year        | 476                           | 662                          | 1,138         |
|                       | <hr/>                         | <hr/>                        | <hr/>         |
| <b>Depreciation</b>   |                               |                              |               |
| At beginning of year  | 185                           | 565                          | 750           |
| Charge for the year   | 47                            | 37                           | 84            |
|                       | <hr/>                         | <hr/>                        | <hr/>         |
| At end of year        | 232                           | 602                          | 834           |
|                       | <hr/>                         | <hr/>                        | <hr/>         |
| <b>Net book value</b> |                               |                              |               |
| At 30 September 2007  | 244                           | 60                           | 304           |
|                       | <hr/>                         | <hr/>                        | <hr/>         |
| At 30 September 2006  | 291                           | 69                           | 360           |
|                       | <hr/>                         | <hr/>                        | <hr/>         |

### 11 Fixed asset investments

|                                | Shares in group<br>companies<br>£000 |
|--------------------------------|--------------------------------------|
| <b>Cost and net book value</b> |                                      |
| At beginning and end of year   | 11,720                               |
|                                | <hr/>                                |

The Directors are satisfied that the value of the company's investments is in excess of the amount at which they are stated above

The subsidiary undertakings at 30 September 2007 were

|                     | Shareholding<br>percentage | Holding      | Country of registration<br>(or incorporation) and<br>operation |
|---------------------|----------------------------|--------------|--|
| Carl Zeiss SMT Inc  | 100%                       | Common stock | USA  |
| Carl Zeiss SMT SARL | 100%                       | Common stock | France   |

The nature of the business of both subsidiary undertakings was the same as the principal activity of the company

## Notes (continued)

### 12 Stocks

|                                  | 2007<br>£000 | 2006<br>£000 |
|----------------------------------|--------------|--------------|
| Raw materials and finished goods | 1,351        | 1,228        |
| Work in progress                 | 1,450        | 1,126        |
|                                  | <u>2,801</u> | <u>2,354</u> |

The difference between the purchase price or production costs of stocks and their replacement cost is not material

### 13 Debtors

|                                    | 2007<br>£000 | 2006<br>£000 |
|------------------------------------|--------------|--------------|
| Trade debtors                      | 3,812        | 3,478        |
| Amounts owed by group undertakings | 1,566        | 503          |
| Other debtors                      | 1,209        | 702          |
| Deferred taxation (note 9)         | 25           | 22           |
| Prepayments and accrued income     | 151          | 205          |
|                                    | <u>6,763</u> | <u>4,910</u> |

Amounts falling due after more than one year above are

|                                    | 2007<br>£000 | 2006<br>£000 |
|------------------------------------|--------------|--------------|
| Trade Debtors                      | 113          | -            |
| Amounts owed by group undertakings | -            | 503          |
|                                    | <u>113</u>   | <u>503</u>   |

**Notes (continued)**

**14 Creditors, amounts falling due within one year**

|                                    | 2007<br>£000 | 2006<br>£000 |
|------------------------------------|--------------|--------------|
| Payments received on account       | 460          | 537          |
| Trade creditors                    | 1,556        | 2,332        |
| Amounts owed to group undertakings | 3,566        | 4,122        |
| Corporation tax                    | 1,310        | 492          |
| Other taxation and social security | 98           | 43           |
| Accruals and deferred income       | 921          | 1,314        |
|                                    | <u>7,911</u> | <u>8,840</u> |

**15 Creditors: amounts falling due after more than one year**

|                 | 2007<br>£000 | 2006<br>£000 |
|-----------------|--------------|--------------|
| Other creditors | <u>187</u>   | <u>-</u>     |

**16 Provisions for liabilities and charges**

|                      | Warranty<br>Provision<br>£000 |
|----------------------|-------------------------------|
| At beginning of year | 682                           |
| Movement during year | (416)                         |
| At end of year       | <u>266</u>                    |

## Notes (continued)

### 17 Commitments under operating leases

At 30 September 2007 the company had annual commitments under non-cancellable operating leases as set out below

|                               | 2007<br>Land and<br>buildings<br>£000 | Other<br>£000 | 2006<br>Land and<br>buildings<br>£000 | Other<br>£000 |
|-------------------------------|---------------------------------------|---------------|---------------------------------------|---------------|
| Operating leases which expire |                                       |               |                                       |               |
| Within one year               | -                                     | 44            | -                                     | 69            |
| Over five years               | 328                                   | -             | 291                                   | -             |
|                               | <u>328</u>                            | <u>-</u>      | <u>291</u>                            | <u>69</u>     |

### 18 Called up share capital

|   | 2007<br>£000 | 2006<br>£000 |
|---|--------------|--------------|
| <i>Authorised</i>                           |              |              |
| Equity 2,700,000 ordinary share of £1 each  | 2,700        | 2,700        |
|   | <u>2,700</u> | <u>2,700</u> |
| <i>Allotted, called up and fully paid</i>   |              |              |
| Equity 2,700,000 ordinary shares of £1 each | 2,700        | 2,700        |
|   | <u>2,700</u> | <u>2,700</u> |

### 19 Reconciliation of shareholders' funds and movement on reserves

|   | Share<br>capital<br>£000 | Share premium<br>account<br>£000 | Profit and loss<br>account<br>£000 | Total<br>shareholders<br>funds<br>£000 |
|---|--------------------------|----------------------------------|------------------------------------|--|
| At 1 October 2006   | 2,700                    | 1,670                            | 5,744                              | 10,114                                 |
| Profit for the financial year   | -                        | -                                | 3,195                              | 3,195                                  |
| Actuarial gain recognised in the pension scheme<br>(net of deferred tax movement thereon) | -                        | -                                | 1,946                              | 1,946                                  |
| At 30 September 2007  | <u>2,700</u>             | <u>1,670</u>                     | <u>10,885</u>                      | <u>15,255</u>                          |

## Notes (continued)

### 20 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2006 £nil)

### 21 Pension scheme

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. There are no outstanding or prepaid contributions at the year end (2006 £nil)

The company also operates a pension scheme providing benefits based on final pensionable pay. Contributions are being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 April 2005. The latest full actuarial valuation was carried out at 1 April 2005 and was updated for FRS 17 purposes to 30 September 2006 and to 30 September 2007 by a qualified independent actuary.

The major assumptions used by the actuary in this valuation were

|   | 2007 | 2006 | 2005 |
|---|------|------|------|
| Rate of increase in salaries                                  | 4.8% | 4.7% | 4.4% |
| Rate of increase in pensions in payment and deferred pensions | 3.1% | 3.2% | 2.9% |
| Discount rate applied to scheme liabilities                   | 6.0% | 5.1% | 5.0% |
| Inflation assumption  | 3.3% | 3.2% | 2.9% |

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

## Notes (continued)

### 21 Pension scheme (continued)

#### *Scheme assets and liabilities*

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

|   | Value at<br>2007<br>£000 | Value at<br>2006<br>£000 | Value at<br>2005<br>£000 |
|---|--------------------------|--------------------------|--------------------------|
| Equities  | 10,125                   | 8,854                    | 8,381                    |
| Bonds   | 1,098                    | 1,048                    | 838                      |
| Other   | 503                      | 609                      | 480                      |
| Total market value of assets                                | 11,726                   | 10,511                   | 9,699                    |
| Present value of scheme liabilities                         | (11,415)                 | (13,102)                 | (12,628)                 |
| Surplus/(deficit) in the scheme – pension asset/(liability) | 311                      | (2,591)                  | (2,929)                  |
| Related deferred tax (liability)/asset                      | (87)                     | 777                      | 879                      |
| Net pension asset / (liability)                             | 224                      | (1,814)                  | (2,050)                  |

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

|          | Long term rate<br>of return<br>2007 | Long term rate<br>of return<br>2006 | Long term rate<br>of return<br>2005 |
|----------|-------------------------------------|-------------------------------------|-------------------------------------|
| Equities | 8.10%                               | 8.30%                               | 7.90%                               |
| Bonds    | 5.50%                               | 4.70%                               | 4.70%                               |
| Other    | 5.75%                               | 4.80%                               | 4.50%                               |

#### *Analysis of movement in surplus / (deficit) during the year*

|  | 2007<br>£000 | 2006<br>£000 |
|--|--------------|--------------|
| Deficit in scheme at beginning of year           | (2,591)      | (2,929)      |
| Current service cost                             | (274)        | (268)        |
| Past service cost                                | -            | (61)         |
| Contributions paid                               | 335          | 208          |
| Other finance income                             | 140          | 83           |
| Actuarial gain                                   | 2,701        | 376          |
| Surplus / (deficit) in the scheme at end of year | 311          | (2,591)      |

## Notes (continued)

### 21 Pension scheme (continued)

#### Analysis of amounts included in other finance income

|  | 2007<br>£000 | 2006<br>£000 |
|--|--------------|--------------|
| Expected return on pension scheme assets | 815          | 721          |
| Interest on pension scheme liabilities   | (675)        | (638)        |
|  | <u>140</u>   | <u>83</u>    |

#### Analysis of amount recognised in statement of total recognised gains and losses

|   | 2007<br>£000 | 2006<br>£000 |
|---|--------------|--------------|
| Actual return less expected return on pension scheme assets                   | 363          | 153          |
| Experience gains and losses arising on the scheme liabilities                 | 125          | 527          |
| Changes in assumptions underlying the present value of the scheme liabilities | 2,213        | (304)        |
|   | <u>2,701</u> | <u>376</u>   |

#### History of experience gains and losses

|   | 2007  | 2006 | 2005  | 2004 |
|---|-------|------|-------|------|
| Difference between the expected and actual return on scheme assets        |       |      |       |      |
| Amount (£000)   | 363   | 153  | 1,123 | 117  |
| Percentage of year end scheme assets                                      | 3.1%  | 1.5% | 11.6% | 1.4% |
| Experience gains and losses on scheme liabilities                         |       |      |       |      |
| Amount (£000)   | 125   | 527  | 231   | 127  |
| Percentage of present value of year end scheme liabilities                | 1.1%  | 4.0% | 1.8%  | 1.1% |
| Total amount recognised in statement of total recognised gains and losses |       |      |       |      |
| Amount (£000)   | 2,701 | 376  | 371   | 657  |
| Percentage of present value of year end scheme liabilities                | 23.7% | 2.9% | 2.9%  | 5.8% |

### 22 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company's immediate parent undertaking is Carl Zeiss NTS GmbH, a company incorporated in Germany. The company's ultimate parent undertaking is Carl Zeiss AG which is also incorporated in Germany. Copies of the accounts of Carl Zeiss AG are available from Carl-Zeiss-Strasse 22, 73447 Oberkochen, Germany.