

Carl Zeiss SMT Limited

**Directors' report and financial
statements**

Registered number 3053545

30 September 2008

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2008.

Results and dividends

The profit for the year, after taxation, amounted to £2,864,000 (2007: £3,195,000). The directors do not recommend the payment of any dividends (2007: £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 strong year-on-year growth of the company's turnover. This positive growth has been capitalised on by the introduction of new "lean" manufacturing processes and in turn increasing capacity at the Cambridge factory.

Principal risks and uncertainties

Competitive pressure in major markets is a continuing risk for the company. This is compounded by increasing budget restrictions in industrial sectors, 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 (resigned 08 November 2008)
Dr M Dilger
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 (2007: £nil), nor incurred any political expenditure.

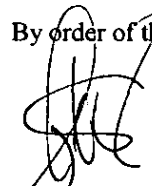
Disclosure of information to auditors

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



R Taylor
Director

511 Coldham's Lane
Cambridge
Cambridgeshire
CB1 3JS

2nd July 2009

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 2008 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 2008 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.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

7 July 2009

Profit and loss account
for the year ended 30 September 2008

	<i>Note</i>	2008 £000	2007 £000
Turnover	2	24,509	19,123
Change in stock of finished goods and work in progress		126	447
Raw materials and consumables		(13,887)	(9,137)
Staff costs	5	(3,298)	(2,998)
Depreciation		(86)	(89)
Other operating charges		(4,051)	(3,259)
		<hr/> (21,196) <hr/>	<hr/> (15,036) <hr/>
Operating profit		3,313	4,087
Income from share in subsidiary undertakings		391	404
Interest receivable and similar income	6	56	103
Interest payable and similar charges	7	(142)	(227)
Other finance income	8	221	140
		<hr/>	<hr/>
Profit on ordinary activities before taxation		3,839	4,507
Tax on profit on ordinary activities	9	(975)	(1,312)
		<hr/>	<hr/>
Profit for the financial year	19	2,864	3,195
		<hr/>	<hr/>

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 2008

	Note	2008	2007
		£000	£000
Fixed assets			
Tangible assets	10	240	304
Investments	11	11,720	11,720
		<u>11,960</u>	<u>12,024</u>
Current assets			
Stocks	12	3,240	2,801
Debtors (including assets due in greater than one year of £195,000 (2007: £113,000))	13	9,006	6,763
Cash at bank and in hand		1,461	1,807
		<u>13,707</u>	<u>11,371</u>
Creditors: amounts falling due within one year	14	(7,431)	(7,911)
		<u>6,276</u>	<u>3,460</u>
Net current assets			
		<u>18,236</u>	<u>15,484</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	15	(63)	(187)
Provisions for liabilities and charges	16	(512)	(266)
		<u>17,661</u>	<u>15,031</u>
Net assets excluding pension liability			
Pension (liability) / surplus	21	(2,286)	224
		<u>15,375</u>	<u>15,255</u>
Capital and reserves			
Called up share capital	18,19	2,700	2,700
Share premium account	19	1,670	1,670
Profit and loss account	19	11,005	10,885
		<u>15,375</u>	<u>15,255</u>
Shareholders' funds	19		
		<u>15,375</u>	<u>15,255</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 2nd July 2009 and were signed on its behalf by:


R Taylor
Director

Statement of total recognised gains and losses
for the year ended 30 September 2008

	2008 £000	2007 £000
Profit for the financial year	2,864	3,195
Actuarial gain recognised in the pension scheme	(3,813)	2,701
Deferred tax arising on gains in the pension scheme	1,069	(755)
Total recognised gains and losses relating to the financial year	<u>120</u>	<u>5,141</u>

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.

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

	2008 £000	2007 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Research and development expenditure	2,093	1,638
Depreciation of owned fixed assets	86	84
Operating lease rentals – land and buildings	328	291
– plant and machinery	91	75
Net loss on foreign currency translation	103	179
	<hr/>	<hr/>
<i>Auditors' remuneration:</i>		
	2008 £000	2007 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	41	33
	<hr/>	<hr/>

Notes (continued)

4 Remuneration of directors

	2008 £000	2007 £000
Directors' emoluments	183	130

During the year, no director was a member of the company defined benefit pension scheme (2007: 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	
	2008	2007
Production	29	24
Marketing and selling	9	10
Service and spares	10	19
Research and development	23	20
Administration	8	5
	79	78

The aggregate payroll costs of these persons were as follows:

	2008 £000	2007 £000
Wages and salaries	2,357	2,246
Social security costs	299	239
Other pension costs	418	239
Current and past service costs	224	274
	3,298	2,998

6 Interest receivable and similar income

	2008 £000	2007 £000
Bank interest receivable	56	103
	56	103

Notes (continued)

7 Interest payable and similar charges

	2008 £000	2007 £000
Interest on loans from group companies and similar charges	40	48
Loss on foreign exchange	102	179
	<u>142</u>	<u>227</u>

8 Other finance income

	2008 £000	2007 £000
Expected return on pension scheme assets (see note 21)	910	815
Interest on pension scheme liabilities (see note 21)	(689)	(675)
	<u>221</u>	<u>140</u>

9 Taxation

Tax on profit on ordinary activities

Analysis of charge in period

	2008 £000	2007 £000
<i>UK corporation tax</i>		
Current tax on income for the period	1,020	1,313
Adjustments in respect of prior periods	(2)	110
	<u>1,019</u>	<u>1,423</u>
<i>Deferred tax (see below)</i>		
Origination/reversal of timing differences	48	(3)
Deferred tax movement on pension scheme surplus / deficit (offset against pension surplus / (liability) in the balance sheet	(94)	(53)
Deferred tax movement on pension scheme surplus / deficit as a result of change in tax rate from 30% to 28%	2	(55)
	<u>975</u>	<u>1,312</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 lower (2007: higher) than the standard rate of corporation tax in the UK 29%, (2007: 30%). The differences are explained below.

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	3,839	4,507
	<hr/>	<hr/>
Current tax at 29% (2007: 30%)	1,113	1,352
<i>Effects of:</i>		
Expenses not deductible for tax purposes	18	16
Capital allowances for period in excess of depreciation	(16)	(3)
Adjustments to tax charge in respect of previous periods	(2)	110
Other permanent differences	(94)	(52)
	<hr/>	<hr/>
Total current tax charge (see above)	1,019	1,423
	<hr/>	<hr/>

Deferred tax

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

	2008		2007	
	Provided £000	Not provided £000	Provided £000	Not provided £000
Difference between accumulated depreciation and capital allowances	69	-	25	-
Capital losses available	-	917	-	982
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred taxation	69	917	25	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 asset of £889,000 (2007: deferred tax liability of £87,000) 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 property £000	Plant & equipment £000	Total £000
Cost			
At beginning of year	476	662	1,138
Additions	-	22	22
	<hr/>	<hr/>	<hr/>
At end of year	476	684	1,160
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	232	602	834
Charge for the year	47	39	86
	<hr/>	<hr/>	<hr/>
At end of year	279	641	920
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 September 2008	197	43	240
	<hr/>	<hr/>	<hr/>
At 30 September 2007	244	60	304
	<hr/>	<hr/>	<hr/>

11 Fixed asset investments

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

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

The subsidiary undertakings at 30 September 2008 were:

	Shareholding percentage	Holding	Country of registration (or incorporation) and 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

	2008 £000	2007 £000
Raw materials and finished goods	1,781	1,351
Work in progress	1,459	1,450
	<u>3,240</u>	<u>2,801</u>

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

13 Debtors

	2008 £000	2007 £000
Trade debtors	4,916	3,812
Amounts owed by group undertakings	2,208	1,566
Other debtors	1,411	1,209
Deferred taxation (note 9)	69	25
Prepayments and accrued income	402	151
	<u>9,006</u>	<u>6,763</u>

Amounts falling due after more than one year above are:

	2008 £000	2007 £000
Trade debtors	195	113
	<u>195</u>	<u>113</u>

Notes (continued)

14 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Payments received on account	264	460
Trade creditors	1,870	1,556
Amounts owed to group undertakings	2,260	3,566
Corporation tax	787	1,310
Other taxation and social security	102	98
Accruals and deferred income	2,148	921
	<hr/> 7,431	<hr/> 7,911

15 Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Other creditors	<hr/> 63	<hr/> 187

16 Provisions for liabilities and charges

	Warranty Provision £000
At beginning of year	266
Utilised during the year	(174)
Charged to the profit and loss account	420
	<hr/> 512
At end of year	<hr/> 512

Notes (continued)

17 Commitments under operating leases

At 30 September 2008 the company had annual commitments under non-cancellable operating leases as set out below:

	2008		2007	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	-	17	-	44
Over five years	328	55	328	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	72	328	44
	<hr/>	<hr/>	<hr/>	<hr/>

18 Called up share capital

	2008 £000	2007 £000
<i>Authorised</i>		
Equity: 2,700,000 ordinary share of £1 each	2,700	2,700
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: 2,700,000 ordinary shares of £1 each	2,700	2,700
	<hr/>	<hr/>

19 Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders funds £000
At 1 October 2007	2,700	1,670	10,885	15,255
Profit for the financial year	-	-	2,585	2,585
Actuarial gain recognised in the pension scheme (net of deferred tax movement thereon)	-	-	(2,744)	(2,744)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2008	2,700	1,670	10,726	15,096
	<hr/>	<hr/>	<hr/>	<hr/>

20 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £Nil (2007: £nil).

Notes (continued)

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 (2007: £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 31 March 2008. The latest full actuarial valuation was carried out at 1 April 2005 and was updated for FRS 17 purposes to 30 September 2007 and to 30 September 2008 by a qualified independent actuary.

	2008 £000	2007 £000
Present value of funded defined benefit obligations	(13,345)	(11,415)
Fair value of plan assets	10,170	11,726
Surplus/(deficit)	(3,175)	311
Related deferred tax asset/(liability)	889	(87)
Net surplus/(deficit)	(2,286)	224

Movements in present value of defined benefit obligation

	2008 £000	2007 £000
At 1 October 2007	11,415	13,102
Current service cost	224	274
Interest cost	689	675
Actuarial losses/(gains)	1,320	(2,338)
Contributions by members	72	74
Benefits paid	(375)	(372)
At 30 September 2008	13,345	11,415

Movements in fair value of plan assets

	2008 £000	2007 £000
At 1 October 2007	11,726	10,511
Expected return on plan assets	910	815
Actuarial (losses)/gains	(2,493)	363
Contributions by employer	330	335
Contributions by members	72	74
Benefits paid	(375)	(372)
At 30 September 2008	10,170	11,726

Notes (continued)

21 Pension scheme (continued)

Expense recognised in the profit and loss account

	2008 £000	2007 £000
Current service cost	224	274
Interest on defined benefit pension plan obligation	689	675
Expected return on defined benefit pension plan assets	(910)	(815)
Total	3	134

The expense is recognised in the following line items in the profit and loss account:

	2008 £000	2007 £000
Administrative expenses	224	274
Other interest receivable and similar income	(910)	(815)
Interest payable and similar charges	689	675
	3	134

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £3,812,000 (2007: £1,975,000 gain).

Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £2,178,000 (2007: £1,634,000 gain).

The fair value of the plan assets and the return on those assets were as follows:

	2008 Fair value £000	2007 Fair value £000
Equities	5,686	10,125
Bonds	2,239	1,098
Index linked gilts	2,231	-
Cash	14	503
	10,170	11,726
Actual return on plan assets	(1,583)	1,178

The overall expected return on the Scheme's assets was determined by considering fair value of the assets in each of the main categories of assets, and the expected rates of return on those categories. Equity returns are based on an equity risk premium over the gilt return. Gilts have been set as the annualised yield for the FTSE UK Gilts 15 year index and bond returns have been set at the discount rate.

Notes (continued)

21 Pension scheme (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2008 %	2007 %
Discount rate	6.7%	6.0%
Expected rate of return on plan assets	7.1%	7.8%
Expected return on plan assets at beginning of the period	7.8%	7.8%
Inflation	3.6%	3.3%
Salary increase rate	5.1%	4.8%
Other material assumptions		
- Pension increase rate: price inflation, capped at 5%	3.2%	3.1%
- Pension increase rate: price inflation, capped at 3%	2.9%	2.5%

In valuing the liabilities of the pension fund at 30 September 2008, mortality assumptions have been made as indicated below.

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: 23.2 years (male), 25.6 years (female).
- Future retiree upon reaching 65 in 20 years time: 24.5 years (male), 26.6 years (female).

History of plans

The history of the plans for the current and prior periods is as follows:

Balance sheet

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Present value of scheme liabilities	(13,345)	(11,415)	(13,102)	(12,628)	(11,283)
Fair value of scheme assets	10,170	11,726	10,511	9,699	8,074
Surplus/(deficit)	3,175	311	(2,591)	(2,929)	(3,209)

Experience adjustments

	2008 £000/%	2007 £000/%	2006 £000/%	2005 £000/%	2004 £000/%
Experience adjustments on scheme liabilities	(246)	125	527	231	127
As a percentage of scheme liabilities	(1.8%)	1.1%	4.0%	1.8%	1.1%
Experience adjustments on scheme assets	(2,493)	363	153	1,123	117
As a percentage of scheme assets	(24.5%)	3.1%	1.5%	11.6%	1.4%

The Company expects to contribute approximately £342,000 to its defined benefit plans in the next financial year.

Notes *(continued)*

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.