Carl Zeiss SMT Limited

Directors' report and financial statements

Registered number 3053545

30 September 2009

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2009.

Results and dividends

The profit for the year, after taxation, amounted to £1,261,000 *(2008: £2,864,000)*. The directors approved an interim dividend of £11,000,000 on 25 September 2009 but do not recommend the payment of a final dividend *(2008: £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 difficult global economic climate which has had the effect of reducing the company's turnover. The company has continued to develop "lean" manufacturing processes and received an award under the 2009 Best Factory Awards for the progress it has made.

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 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
S Mueller
Dr M Dilger (resigned 30 November 2008)
R Taylor
A McBride
O Demuth (appointed 7 November 2008)

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 *(2008: £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

B Taylor
Director

511 Coldham's Lane
Cambridge
Cambridgeshire
CB1 3JS

10 | 12 | 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).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG 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 2009, set out on pages 6-22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A. Mead

14 December 2009

A Mead (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Profit and loss account
for the year ended 30 September 2009

	Note		2009 £000		2008 £000
Turnover	2		**22,334**		24,509
Change in stock of finished goods and work in progress		**(1470)**		126	
Raw materials and consumables		**(11,735)**		(13,887)	
Staff costs	5	**(3,629)**		(3,298)	
Depreciation		**(68)**		(86)	
Other operating charges		**(4,719)**		(4,051)	
			(21,621)		(21,196)
Operating profit			**713**		3,313
Income from share in subsidiary undertakings			**852**		391
Interest receivable and similar income	6		**19**		56
Interest payable and similar charges	7		**(149)**		(142)
Other finance (charges)/income	8		**(173)**		221
Profit on ordinary activities before taxation			**1,262**		3,839
Tax on profit on ordinary activities	9		**(1)**		(975)
Profit for the financial year	19		**1,261**		2,864

The notes on pages 9 to 22 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 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Fixed assets					
Tangible assets	*10*		**174**		240
Investments	*11*		**-**		11,720
			174		11,960
Current assets					
Stocks	*12*	**2,989**		3,240	
Debtors (including assets due in greater than one year of £127,000 *(2008: £195,000)*)	*13*	**10,300**		9,006	
Cash at bank and in hand		**-**		1,461	
		13,289		13,707	
Creditors: amounts falling due within One year	*14*	**(4,620)**		(7,431)	
Net current assets			**8,669**		6,276
Total assets less current liabilities			**8,843**		18,236
Creditors: amounts falling due after More than one year	*15*		**-**		(63)
Provisions for liabilities and charges	*16*		**(877)**		(512)
Net assets excluding pension liability			**7,966**		17,661
Pension liability	*21*		**(2,776)**		(2,286)
			5,190		15,375
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*		**820**		11,005
Shareholders' funds	*19*		**5,190**		15,375

The notes on pages 9 to 22 form part of the financial statements.

These financial statements were approved by the board of directors on 10 / 12 / 2009 and were signed on its behalf by:

B Taylor
Director

3053545

Statement of total recognised gains and losses
for the year ended 30 September 2009

	2009	2008
	£000	£000
Profit for the financial year	**1,261**	2,864
Actuarial gain recognised in the pension scheme (note 21)	**(620)**	(3,813)
Deferred tax arising on gains in the pension scheme	**174**	1,069
Total recognised gains and losses relating to the financial year	**815**	120

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 s400 of the Companies Act 2006 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 68(5), part 3 of schedule 1 of SI2008/410, 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

	2009	2008
	£000	£000
Profit on ordinary activities before taxation is stated after charging:		
Research and development expenditure	**1,987**	2,093
Depreciation of owned fixed assets	**68**	86
Operating lease rentals – land and buildings	**336**	328
– plant and machinery	**133**	91
Net loss on foreign currency translation	**57**	103

Auditors' remuneration:

	2009	2008
	£000	£000
Fees payable to the company's auditor for the audit of the company's annual accounts	**35**	41

Notes *(continued)*

4 Remuneration of directors

	2009 £000	2008 £000
Directors' emoluments	**192**	183

During the year, no director was a member of the company defined benefit pension scheme *(2008: 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 2009	2008
Production	**22**	29
Marketing and selling	**13**	9
Service and spares	**16**	10
Research and development	**23**	23
Administration	**8**	8
	82	79

The aggregate payroll costs of these persons were as follows:

	2009 £000	2008 £000
Wages and salaries	**2,667**	2,357
Social security costs	**303**	299
Other pension costs	**402**	418
Current and past service costs	**257**	224
	3,629	3,298

6 Interest receivable and similar income

	2009 £000	2008 £000
Interest from group companies	**19**	-
Bank interest receivable	**-**	56
	19	56

Notes *(continued)*

7 Interest payable and similar charges

	2009	2008
	£000	£000
Interest payable on corporation tax	**100**	-
Interest on loans from group companies and similar charges	**49**	40
Loss on foreign exchange	-	102
	149	142

8 Other finance (charges)/income

	2009	2008
	£000	£000
Expected return on pension scheme assets (see note 21)	**716**	910
Interest on pension scheme liabilities (see note 21)	**(889)**	(689)
	(173)	221

9 Taxation

Tax on profit on ordinary activities

Analysis of charge in period

	2009	2008
	£000	£000
UK corporation tax		
Current tax on income for the period	**415**	1,020
Double tax relief	**(361)**	-
Adjustments in respect of prior periods	**(49)**	(1)
Total current tax	**5**	1,019
Deferred tax (see below)		
Origination/reversal of timing differences	**3**	48
Adjustments in respect of prior periods	**10**	-
Deferred tax movement on pension scheme liability offset against pension surplus liability in the balance sheet	**(17)**	(94)
Deferred tax movement on pension scheme deficit as a result of change in tax rate from 30% to 28%	-	2
Tax on profit on ordinary activities	**1**	975

Notes *(continued)*

9 Taxation *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2008: lower)* than the standard rate of corporation tax in the UK 28%, (2008: 29%). The differences are explained below.

	2009 £000	2008 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**1,262**	3,839
Current tax at 28% (2008: 29%)	**353**	1,113
Effects of:		
Expenses not deductable for tax purposes	**11**	18
Capital allowances for period in excess of depreciation	**(3)**	(16)
Adjustments to tax charge in respect of previous periods	**(99)**	(2)
Tax penalty charge	**50**	-
Double tax relief	**(361)**	-
Other permanent differences	**37**	-
Pension provision	**17**	(94)
Total current tax charge (see above)	**5**	1,019

Deferred tax

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

	2009		2008	
	Recognised £000	**Not recognised £000**	Recognised £000	Not recognised £000
Difference between accumulated depreciation and capital allowances	**56**	**-**	69	-
Capital losses available	**-**	**917**	-	917
Deferred taxation	**56**	**917**	69	917

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 £1,118,000 *(2008: deferred tax asset of £889,000)* arises in relation to the pension scheme (see note 21). This amount is recognised and is offset against the pension scheme deficit.

Notes *(continued)*

10 Tangible fixed assets

	Leasehold property £000	Plant & equipment £000	Total £000
Cost			
At beginning of year	476	684	1,160
Additions	-	2	2
At end of year	476	686	1,162
Depreciation			
At beginning of year	279	641	920
Charge for the year	46	22	68
At end of year	325	663	988
Net book value			
At 30 September 2009	**151**	**23**	**174**
At 30 September 2008	197	43	240

11 Fixed asset investments

	Shares in group Companies £000
Cost and net book value	
At beginning of year	11,720
Disposed of during the year	(11,720)
At end of year	nil

The subsidiary undertakings at the beginning of the year 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

Both investments were sold to Carl Zeiss NTS GmbH at net book value which was deemed to be its fair value on 30th September 2009.

Notes *(continued)*

12 Stocks

	2009 £000	2008 £000
Raw materials and finished goods	**1,275**	1,781
Work in progress	**1,714**	1,459
	2,989	3,240

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

13 Debtors

	2009 £000	2008 £000
Trade debtors	**4,029**	4,916
Amounts owed by group undertakings	**4,589**	2,208
Other debtors	**594**	1,411
Deferred tax asset (note 9)	**56**	69
Prepayments and accrued income	**181**	402
Corporation tax debtor	**851**	-
	10,300	9,006

Amounts falling due after more than one year included above are:

	2009 £000	2008 £000
Trade debtors	**127**	195
	127	195

Notes *(continued)*

14 Creditors: amounts falling due within one year

	2009	2008
	£000	£000
Accruals and deferred income	1,212	1,966
Bank overdraft	93	-
Payments received on account	55	264
Trade creditors	1,355	1,870
Amounts owed to group undertakings	1,703	2,260
Corporation tax	-	787
Other creditors	202	284
	4,620	7,431

15 Creditors: amounts falling due after more than one year

	2009	2008
	£000	£000
Other creditors	-	63

16 Provisions for liabilities and charges

	Warranty Provision £000
At beginning of year	512
Utilised during the year	(335)
Charged to the profit and loss account	700
At end of year	877

Notes *(continued)*

17 Commitments under operating leases

At 30 September 2009 the company had annual commitments under non-cancellable operating leases as set out below:

	2009 Land and Buildings £000	**2009** Other £000	2008 Land and Buildings £000	2008 Other £000
Operating leases which expire:				
Within one year	**-**	**18**	-	17
Over five years	**340**	**92**	328	55
	340	**110**	328	72

18 Called up share capital

	2009 £000	2008 £000
Authorised		
Equity: 2,700,000 ordinary share of £1 each	**2,700**	2,700
Allotted, called up and fully paid		
Equity: 2,700,000 ordinary shares of £1 each	**2,700**	2,700

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 2008	2,700	1,670	11,005	15,375
Profit for the financial year	-	-	1,261	1,261
Dividends	-	-	(11,000)	(11,000)
Actuarial loss recognised in the pension scheme (net of deferred tax movement thereon)	-	-	(446)	(446)
At 30 September 2009	2,700	1,670	820	5,190

20 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil *(2008: £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 *(2008: £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.

	2009	2008
	£000	£000
Present value of funded defined benefit obligations	**(15,261)**	(13,345)
Fair value of plan assets	**11,405**	10,170
Deficit	**(3,856)**	(3,175)
Related deferred tax asset	**1,080**	889
Net deficit	**(2,776)**	(2,286)

Movements in present value of defined benefit obligation

	2009	2008
	£000	£000
At 1 October 2008	**13,345**	11,415
Expenses	**(79)**	-
Current service cost	**257**	224
Interest cost	**889**	689
Actuarial losses	**1,221**	1,320
Contributions by members	**72**	72
Benefits paid	**(444)**	(375)
At 30 September 2009	**15,261**	13,345

Movements in fair value of plan assets

	2009	2008
	£000	£000
At 1 October 2008	**10,170**	11,726
Expenses	**(79)**	-
Expected return on plan assets	**716**	910
Actuarial gains/(losses)	**601**	(2,493)
Contributions by employer	**369**	330
Contributions by members	**72**	72
Benefits paid	**(444)**	(375)
At 30 September 2009	**11,405**	10,170

Notes *(continued)*

21 Pension scheme *(continued)*

Expense recognised in the profit and loss account

	2009 £000	2008 £000
Current service cost	**257**	224
Interest on defined benefit pension plan obligation	**889**	689
Expected return on defined benefit pension plan assets	**(716)**	(910)
Total	**430**	3

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

	2009 £000	2008 £000
Administrative expenses	**257**	224
Other interest receivable and similar income	**(716)**	(910)
Interest payable and similar charges	**889**	689
	430	3

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains is £620,000 *(2008: £3,812,000)*.

Cumulative actuarial gains 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 £2,798,000 *(2008: £2,178,000)*.

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

	2009 Fair value £000	2008 Fair value £000
Equities	**4,089**	5,686
Bonds	**4,862**	2,239
Index linked gilts	**2,430**	2,231
Cash	**24**	14
	11,405	10,170
Actual return on plan assets	**1,326**	(1,583)

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:

	2009 %	2008 %
Discount rate	**5.8%**	6.7%
Expected rate of return on plan assets	**6.3%**	7.1%
Expected return on plan assets at beginning of the period	**7.1%**	7.8%
Inflation	**3.3%**	3.6%
Salary increase rate	**4.3%**	5.1%
Other material assumptions		
- Pension increase rate: price inflation, capped at 5%	**3.3%**	3.2%
- Pension increase rate: price inflation, capped at 3%	**2.8%**	2.9%

In valuing the liabilities of the pension fund at 30 September 2009, 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

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Present value of scheme liabilities	**(15,261)**	(13,345)	(11,415)	(13,102)	(12,628)
Fair value of scheme assets	**11,405**	10,170	11,726	10,511	9,699
Surplus/(deficit)	**(3,856)**	3,175	311	(2,591)	(2,929)

Experience adjustments

	2009 £000/%	2008 £000/%	2007 £000/%	2006 £000/%	2005 £000/%
Experience adjustments on scheme liabilities	**(46)**	(246)	125	527	231
As a percentage of scheme liabilities	**(0.3%)**	(1.8%)	1.1%	4.0%	1.8%
Experience adjustments on scheme assets	**601**	(2,493)	363	153	1,123
As a percentage of scheme assets	**5.3%**	(24.5%)	3.1%	1.5%	11.6%

The Company expects to contribute approximately £513,000 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.