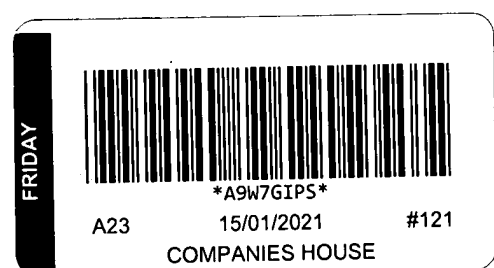


Registered number: 03053545

Carl Zeiss Microscopy Limited

**Annual report and financial statements
for the year ended 30 September 2020**



Carl Zeiss Microscopy Limited

Company information

Directors	P Adderley M Albiez D Aldridge A McBride
Company secretary	D Spencer
Registered number	03053545
Registered office	Zeiss House 1030 Cambourne Business Park Cambourne Cambridge CB23 6DW
Independent auditor	Ernst & Young LLP One Cambridge Business Park Cambridge CB4 0WZ

Carl Zeiss Microscopy Limited

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Carl Zeiss Microscopy Limited

Strategic report for the year ended 30 September 2020

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

Business review

The principal activity of the company is the manufacture and sale of electron microscopes and related components and accessories. The company's principal business is as a contract manufacturer for its parent company. Since 2016, the company has been expanding the range of electron microscopes manufactured by transferring products previously manufactured in another Carl Zeiss group company and transitioning to a contract manufacturer; this transition was fully completed in February 2020.

The company has a long-standing culture of lean manufacturing and continuous improvement, which resulted in further productivity increases during the year. The company continues to invest in its manufacturing capability, with skills development and digitalisation of its factory to support future business growth. The company is a key stakeholder in projects to introduce technologies and product updates into series production.

During the year, the company faced challenges responding to the COVID-19 pandemic. The company has a global customer base and diverse application areas, and the resulting order intake and revenue are considered satisfactory, given the underlying market conditions caused by the pandemic. Supported by a Carl Zeiss AG central task force, the company took prompt action in managing risks since the start of the COVID-19 pandemic, with three overarching targets of protecting health and wellbeing of staff, maintaining business continuity and minimising the economic impact to the business. Due to these actions, there has not been a material impact to the business and the directors pay tribute to the company's staff and its business partners that have demonstrated incredible resilience and flexibility during the pandemic.

Principal risks and uncertainties

Competitive pressure in major markets from international companies is an on-going risk for the company. This is compounded by increasing budget restrictions leading to price pressure. This, in turn, can lead to the company losing sales to its key competitors, especially those that are low cost. The company manages this risk by introducing product updates and innovations, implementing lean manufacturing methodology, and continuously reducing its cost base. This cost base relies on good supply chain management and building partnerships with key strategic suppliers, including material logistics.

There are uncertainties around the UK's future relationship with the EU and potential impact on trading arrangements, which are still to be finalised by the UK Government and the European Union. Most of the company's sales are global export and the supply chain is predominantly within the EU. The company is taking appropriate steps to mitigate risks in its supply chain and logistics provision, and trade arrangements.

The COVID-19 pandemic continues to cause uncertainty in the business outlook with resulting risks to the company on planned revenues and profitability. Nevertheless, the company's underlying financial position remains sound. The global manufacturing footprint of the ZEISS Group, emerging global patterns of regional recovery and the continued movement of freight, means that the company's supply chains remain largely unaffected. The directors continue to monitor the impact caused by the pandemic and when appropriate will take advantage of the business support provided by the UK Government.

Carl Zeiss Microscopy Limited

Strategic report (continued) for the year ended 30 September 2020

Financial risk management

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

The company's sales overseas are made mostly in foreign currency. The company participates in the Group Cash Management and Treasury function, where risks relating to the US Dollar and the Euro are managed.

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

To reduce interest rate risk, the group aggregates its constituent companies' cash holdings for purposes of effective treasury control.

Financial key performance indicators

The Board uses revenue and earnings before interest (inclusive of finance cost) and tax (EBIT) as its main indicators.

Revenue reduced by £19,923,000 to £58,702,000 (2019: £78,625,000). During the year ended 30 September 2020, the reduced revenue was principally as a result of the completion of the transition to a contract manufacturer.

EBIT decreased from £14,493,000 to £6,705,000 and was 11% of revenue. The Board considers this year's profitability to be an excellent result.

Section 172 (1) Statement

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

The ZEISS group 'agenda' strategic framework forms a basis for the company's priorities and regular business reviews with senior management ensure focus on the business priorities and governance topics required to meet its strategic objectives and maintain the ZEISS Brand reputation.

The board is committed to ongoing professional development, including compliance and governance training, ensuring that directors and senior management are equipped with the skills and understanding required to achieve the company's strategic and corporate responsibility goals.

Carl Zeiss Microscopy Limited

Strategic report (continued) for the year ended 30 September 2020

Stakeholder engagement

Building networks is an important part of our strategy and we recognise the value in building strong relationships with our key stakeholder groups.

The #agenda25 forms the basis of the group's five-year strategy, which shapes the company's strategic priorities. The board works collaboratively with management to ensure strategic priorities are effectively communicated and that the appropriate systems are in-place to deliver these.

The board recognises that all team members in the company form a key part of its success and invests in attracting, developing and retaining talent. The board encourages a culture of feedback and trust and actively involves employees in decision-making through working groups and surveys. The ZEISS Code of Conduct describes the principles of how we behave and how we conduct our business.

The directors represent a balanced perspective of the company's varied customer requirements. This coupled with robust processes for market trend analysis, product development and customer support, results in the company being well placed to adapt to customer needs in a dynamic market.

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

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

This report was approved by the board on 18/12/2020 2020 and signed on its behalf.



D Aldridge
Director

Carl Zeiss Microscopy Limited

Directors' report for the year ended 30 September 2020

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

Business review

The business review can be found in the strategic report on page 1.

Results and dividends

The profit for the year, after taxation, amounted to £6,129,000 (2019: £11,331,000).

During the year, the directors paid an interim dividend of £5,000,000 (2019: £3,500,000).

The directors do not recommend payment of a final dividend (2019: £nil).

COVID-19 and Going concern

The company's business activity, together with the factors likely to affect its future developments and position are set out on page 1 of the strategic report.

The financial statements have been prepared on a going concern basis as the company's parent undertaking (Carl Zeiss AG) has confirmed that it will provide such financial support and other support as necessary to enable the company to meet its liabilities for the foreseeable future. As set out in note 25, the smallest and largest group in which the results of the company are consolidated is that headed by Carl Zeiss AG. The directors have a reasonable expectation that the Carl Zeiss group has adequate resources and liquidity to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Future developments

Continued product development and investment in research and development in the major product lines should strengthen the company position in future years.

Research and development activities

The company (and its parent company) are committed to maintaining its significant research and development activities, which result in new products and improvements in existing products. Research and development projects currently exist in all product areas.

Carl Zeiss Microscopy Limited

Directors' report (continued) for the year ended 30 September 2020

Directors

The directors who held office during the year and up to the date of signing of the financial statements were:

P Adderley
M Albiez
D Aldridge
A McBride

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the audited financial statements of the company in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements of the company for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). 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 audited financial statements of the company, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the audited financial statements of the company 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 to enable them to ensure that the audited financial statements of the company comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Carl Zeiss Microscopy Limited

Directors' report (continued) for the year ended 30 September 2020

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

18/12/2020

and signed on its behalf.



**D Aldridge
Director**

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

Opinion

We have audited the financial statements of Carl Zeiss Microscopy Limited for the year ended 30 September 2020, which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, (United Kingdom Generally Accepted Accounting Practice) including FRS 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including FRS 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Rachel Wilden (Senior statutory auditor)

for and on behalf of

Ernst & Young LLP

Statutory auditor

One Cambridge Business Park

Cambridge

CB4 0WZ

Date: *23 December 2020*

Carl Zeiss Microscopy Limited

Profit and loss account for the year ended 30 September 2020

	Note	2020 £000	2019 £000
Turnover	4	58,702	78,625
Change in stocks of finished goods and work in progress		241	1,828
Other operating income	5	21	175
Raw materials and consumables		(41,930)	(51,604)
Other external charges		(1,737)	(6,346)
Staff costs	6	(6,731)	(7,100)
Depreciation and amortisation		(1,861)	(1,085)
Operating profit	8	6,705	14,493
Interest receivable and similar income		8	19
Interest payable and similar expenses	9	(10)	-
Other finance income/(costs)	10	257	(474)
Profit before tax		6,960	14,038
Tax on profit	11	(831)	(2,707)
Profit for the financial year		6,129	11,331

The notes on pages 14 to 42 form part of these financial statements.

Carl Zeiss Microscopy Limited

Statement of comprehensive income for the year ended 30 September 2020

	Note	2020 £000	2019 £000
Profit for the financial year		<u>6,129</u>	<u>11,331</u>
Other comprehensive income:			
Actuarial (loss)/gain on defined benefit schemes	23	(646)	819
Current tax recognised through other comprehensive income		123	-
Prior year deferred tax recognised through other comprehensive income		35	-
Deferred tax charge attributable to actuarial loss/(gain)		16	(135)
Other movements in retained earnings		-	124
Changes in accounting policy		-	45
Other comprehensive (costs)/income net of tax		<u>(472)</u>	<u>853</u>
Total comprehensive income for the year		<u><u>5,657</u></u>	<u><u>12,184</u></u>

The notes on pages 14 to 42 form part of these financial statements.

**Balance sheet
as at 30 September 2020**

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Intangible assets	13		5		17
Tangible fixed assets	14		11,771		13,472
			<u>11,776</u>		<u>13,489</u>
Current assets					
Stocks	15	23,057		21,982	
Debtors: amounts falling due within one year	16	19,600		22,850	
Cash at bank and in hand		291		243	
		<u>42,948</u>		<u>45,075</u>	
Creditors: amounts falling due within one year	17	(10,753)		(14,230)	
Net current assets			<u>32,195</u>		<u>30,845</u>
Total assets less current liabilities			<u>43,971</u>		<u>44,334</u>
Creditors: amounts falling due after more than one year	18		(6,617)		(7,508)
			<u>37,354</u>		<u>36,826</u>
Provisions for liabilities					
Provisions	21		(107)		(71)
Pension liability	23		(551)		(716)
Net assets			<u>36,696</u>		<u>36,039</u>
Capital and reserves					
Called up share capital	22		2,700		2,700
Share premium account			1,670		1,670
Retained earnings			32,326		31,669
Total equity			<u>36,696</u>		<u>36,039</u>

The notes on pages 14 to 42 form part of these financial statements.

The financial statements were approved and authorised for issue by the board on 18/12/2020 and were signed on its behalf by:


D Aldridge
Director

Carl Zeiss Microscopy Limited

Statement of changes in equity for the year ended 30 September 2020

	Called up share capital	Share premium account	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 October 2019	2,700	1,670	31,669	36,039
Profit for the financial year	-	-	6,129	6,129
Actuarial loss on pension scheme	-	-	(646)	(646)
Tax on loss on pension scheme	-	-	16	16
Deferred tax movements prior year adjustment	-	-	35	35
Current tax movements	-	-	123	123
Total comprehensive income for the year	-	-	5,657	5,657
Dividends	-	-	(5,000)	(5,000)
At 30 September 2020	2,700	1,670	32,326	36,696

Statement of changes in equity for the year ended 30 September 2019

	Called up share capital	Share premium account	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 October 2018	2,700	1,670	22,985	27,355
Profit for the financial year	-	-	11,331	11,331
Actuarial gain on pension scheme	-	-	819	819
Tax on gain on pension scheme	-	-	(135)	(135)
Other movements	-	-	124	124
Changes in accounting policy	-	-	45	45
Total comprehensive income for the year	-	-	12,184	12,184
Dividends	-	-	(3,500)	(3,500)
At 30 September 2019	2,700	1,670	31,669	36,039

Share premium account

The share premium account represents the difference between the par value of the shares issued and the subscription or issue price.

Retained earnings

Retained earnings refer to the amount of the net earnings not paid out as dividends, but retained by the company to be reinvested in its core business.

The notes on pages 14 to 42 form part of these financial statements.

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

1. General information

The principal activity of Carl Zeiss Microscopy Limited ("the company") is the manufacture and sale of electron microscopes and related components and accessories.

The company has prepared its financial statements in sterling and all figures are rounded to the nearest thousand pounds except where otherwise indicated.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Zeiss House, 1030 Cambourne Business Park, Cambourne, Cambridge, CB23 6DW.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention, in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following disclosure exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, plant and equipment;
 - paragraph 118(e) of IAS 38 Intangible assets (reconciliation's between the carrying amount at the beginning and end of the year);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in the financial statements);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B to D (additional comparative information);
 - 40A to D (requirements for a third statement of financial position);
 - 111 (cash flow statement information);
 - 134 to 136 (capital management disclosures);
- IAS 7 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but not yet effective);
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement';

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

2. Summary of significant accounting policies (continued)

- Paragraphs 17 and 18A of IAS 24 'Related party disclosures' (key management compensation);
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group;
- IFRS 7, 'Financial Instruments: Disclosures'; and
- Paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of assets;
- The following paragraphs of IFRS 15:
 - second sentence of paragraph 110;
 - paragraph 113(a);
 - paragraphs 114, 115, 118;
 - paragraphs 119(a) to (c);
 - paragraphs 120 to 127;
 - paragraph 129;
- Paragraphs 52, 58, 90, 91, 93 and second sentence of paragraph 89 of IFRS 16.

For the purposes of FRS 101 reduced disclosure exemptions, equivalent disclosures are included in the publicly available consolidated financial statements of Carl Zeiss AG. See note 25 for details.

2.2 COVID-19 and Going concern

The company's business activity, together with the factors likely to affect its future developments and position are set out on page 1 of the strategic report.

The financial statements have been prepared on a going concern basis as the company's parent undertaking (Carl Zeiss AG) has confirmed that it will provide such financial support and other support as necessary to enable the company to meet its liabilities for the foreseeable future. As set out in note 25, the smallest and largest group in which the results of the company are consolidated is that headed by Carl Zeiss AG. The directors have a reasonable expectation that the Carl Zeiss group has adequate resources and liquidity to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

2. Summary of significant accounting policies (continued)

2.3 New standards, amendments and IFRIC interpretations

Amendments to IFRSs that are mandatorily effective for the current year:

In the current year, the company has applied the following amendments to adopted IFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2019. With the exception of IFRS 16, Leases, their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Interpretation 23, *Uncertainty over Income Tax Treatments*;
- Amendments to IFRS 9, *Prepayment Features with Negative Compensation*;
- Amendments to IAS 28, *Long-term Interest in Associates and Joint Ventures*;
- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- Amendments to IAS 19, *Plan Amendment, Curtailment or Settlement*

New and revised IFRSs in issue but not yet effective:

At the date of authorisation of these financial statements, the company has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 17, *Insurance Contracts*;
Amendments to IAS 1 and IAS 8, *Definition of Material*;
Amendments to IFRS 3, *Definition of a Business*;
Revised *Conceptual Framework for Financial Reporting*;
Amendments to IAS 1, *Presentation of financial statements on classification of liabilities*;
Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest rate benchmark reform*;
Amendment to IFRS 16, *'Leases' - Covid-19 related rent concessions*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the company in future periods.

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

2. Summary of significant accounting policies (continued)

2.4 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises revenue when control over the distinct goods and services is transferred to the customer, i.e., as soon as the customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from the goods or services transferred. The recognition of revenue requires a contractual agreement that creates legally enforceable rights and obligations. The amount of revenue recognised is the expected consideration to which the company is contractually entitled. Where required, revenue is adjusted for variable price components such as cash discounts, price reductions, customer bonuses and rebates.

Revenue from the sale of goods is recognised when control is transferred to the customer, which is normally when the goods are delivered. Revenue from services is recognized over the period in which the service is provided because the customer simultaneously receives and consumes the benefits. The sale of assurance-type warranty, beyond the initial warranty period, is treated as a separate performance obligation and the revenue is recognised over the contractually agreed warrant period.

If a single contract with a customer comprises several performance obligations (normally the delivery of a product and related services), the agreed transaction price is allocated to the separate performance obligations in accordance with the relative stand-alone selling prices.

2.5 Leases

IFRS 16 Leases requires lessees to recognise all leases in the form of a right-of-use asset and corresponding lease liability. The lease liability is measured at the present value of the outstanding lease payments. This is presented in the income statement as a financing transaction. Consequently, the right-of-use asset must be depreciated on a straight-line basis and the lease liability amortized using the effective interest method.

Renewal, termination and purchase terms are taken into account during initial measurement of the lease liability if their exercise has become reasonably certain. The exemptions for low-value leased assets and short-term leases will be used.

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

2. Summary of significant accounting policies (continued)

2.6 Research and development

(i) Research phase

As it is impossible to demonstrate whether or not a product or service at the research stage will generate any probable future economic benefit all expenditure incurred at the research stage is written off to the profit and loss account as an expense when incurred.

(ii) Development phase

Under IAS 38, an intangible asset arising from development is capitalised if an entity can demonstrate all of the following criteria:

- the technical feasibility of completing the intangible asset;
- intention to complete and use or sell the asset;
- ability to use or sell the asset;
- existence of a market or, if to be used internally, the usefulness of the asset;
- availability of adequate technical, financial, and other resources to complete the asset; and
- the cost of the asset can be measured reliably.

If any of the recognition criteria are not met then the expenditure is charged to the profit and loss account as incurred.

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

2. Summary of significant accounting policies (continued)

2.7 Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements, and defined benefit and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

(iii) Defined benefit pension plan

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset/liability recognised in the balance sheet in respect of the defined benefit plan is the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled less the present value of the defined benefit obligation at the end of the balance sheet date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as other comprehensive income.

The cost of the defined benefit plan, recognised in statement of comprehensive income as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the profit and loss account as a 'other finance expense/income'.

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

2. Summary of significant accounting policies (continued)

2.8 Foreign currencies

(i) Functional and presentational currency

The company's functional and presentational currency is the Pound sterling.

(ii) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the statement of financial position date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

2.9 Interest receivable

Interest income is recognised in the profit and loss account using the effective interest method.

2.10 Interest payable

Interest payable is recognised in the profit and loss account over the term of the debt using the effective interest method.

2.11 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns in respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

2. Summary of significant accounting policies (continued)

2.12 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Software	-	3 years
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Amortisation is calculated on a straight line basis over the useful life of the asset and is charged to the profit and loss account.

2.13 Tangible fixed assets

Tangible assets are recognised at cost and subsequently stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value.

The estimated useful lives range as follows:

Leasehold improvements	- 10 years or the remaining period of the lease if sooner
Plant and equipment	- 3 - 10 years
Fixtures and fittings	- 5 - 10 years

Depreciation is charged to the profit and loss account.

2.14 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. Raw materials, consumables and goods for resale comprise of purchase cost on a first-in, first-out basis. Work in progress and finished goods comprise of the 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 or disposal. Provision is made for obsolete, slow-moving and defective items where appropriate.

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

2. Summary of significant accounting policies (continued)

2.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are reported in the statement of financial position as of the date on which the company becomes party to the contract. As of the date of initial recognition, financial assets and financial liabilities are measured at fair value and classified in accordance with the provisions of IFRS 9.

Fair value generally corresponds to the market or quoted value. If no active market exists, fair value is calculated using generally accepted calculation techniques (for example, using the present value method or option pricing models). Amortised cost corresponds to the amount at initial recognition adjusted for repayments, impairment and the amortisation of any discounts or premiums.

(i) Financial assets

The company classifies its financial assets in the following categories: at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The directors determine the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss or at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the company considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets.

(b) Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

(c) Financial assets at fair value through profit or loss

The following financial assets are classified at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost,
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

2. Summary of significant accounting policies (continued)

2.15 Financial instruments (continued)

(ii) Financial liabilities

The company classifies its financial liabilities in the following categories: at fair value through profit or loss; and loans and payables, or as payables. The classification depends on the purpose for which the financial assets were acquired.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

(iii) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.16 Derivatives

The company has not applied hedge accounting and all derivatives are measured at fair value through profit and loss account.

2.17 Provisions for liabilities

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Estimated future costs of the warranty offered on instrument system sales are charged to the profit and loss account as the revenues derived from the related instrument system sales are recognised.

2.18 Called up share capital

Ordinary shares are classified as equity.

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Taxation

Determining income tax provisions involves judgements on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used on temporary differences where it is probable that there will be taxable income against which these can be offset. See note 11.

(ii) Useful economic lives of intangible and tangible assets

The annual depreciation charge for intangible and tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See notes 13 and 14 for the carrying amount of the intangibles and tangibles respectively, and notes 2.12 and 2.13 for the useful economic lives for each class of assets.

(iii) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension asset/liability in the balance sheet. The assumptions reflect historical experience and current trends. See note 23 for the disclosures relating to the defined benefit pension scheme.

(iv) Provisions

The company makes an estimate of the present value of the warranty provision which relates to estimated future costs of the warranty offered on instrument system sales. The company assesses the valuation at each reporting date. See note 21.

(v) Leases

The measurement of lease liabilities pursuant to IFRS 16 Leases. In determining the lease term, all facts and circumstances that create an economics incentive to exercise options to extend the lease or not exercise termination options are taken into account.

4. Turnover

All of the company's turnover derives from the company's principal activity.

Turnover is derived entirely from the sale of goods.

The company has made use of the exemption, in paragraph 68(5), part 3 of schedule 1 of SI 2008/410, 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.

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

5. Other operating income

	2020 £000	2019 £000
RDEC grant income	21	175

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £000	2019 £000
Wages and salaries	5,693	5,578
Social security costs	591	580
Cost of defined contribution pension scheme	447	942
	6,731	7,100

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Production	55	50
Marketing and selling	13	17
Service and spares	5	8
Research and development	29	29
Administration	9	9
	111	113

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

7. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	307	258
Pension contributions to defined contribution schemes	17	15
	<u>324</u>	<u>273</u>

The aggregate emoluments of the highest paid director were £188,598 (2019: £157,215) and company pension contributions paid to a defined contribution pension scheme on his behalf amounted to £9,482 (2019: £9,116).

During the year three directors (2019: three) participated in a defined contribution pension scheme.

During the year two directors (2019: two) were employed by other group undertakings and their remuneration for qualifying services to the company is deemed to be negligible so that they would not be able to allocate any remuneration received to Carl Zeiss Microscopy Limited.

During the year, one director (2019: one) was a member of the company's defined benefit scheme.

No director received shares for qualifying services or exercised share options in the current or prior year.

8. Operating profit

The operating profit is stated after charging/(crediting):

	2020 £000	2019 £000
Research and development expenditure	72	1,019
Depreciation of tangible fixed assets	1,849	1,497
Amortisation of intangible assets, including goodwill	12	-
Net profit on foreign exchange	(144)	(316)
Auditor's remuneration - audit of the financial statements of the company	38	32
Defined contribution pension cost	447	942
Operating lease rentals - land and buildings	-	167
Operating lease rentals - other	156	203
	<u>156</u>	<u>203</u>

9. Interest payable and similar expenses

	2020 £000	2019 £000
Other interest payable	10	-
	<u>10</u>	<u>-</u>

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

10. Other finance income/(costs)

	2020 £000	2019 £000
Net interest on defined benefit pension liability (note 23)	(5)	(56)
Movement on derivative	490	(316)
Interest expense on right-of-use asset	(228)	(102)
	<u>257</u>	<u>(474)</u>

11. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	1,409	2,694
Adjustments in respect of previous periods	(707)	(59)
Total current tax	<u>702</u>	<u>2,635</u>
Deferred tax		
Current year	26	1
Adjustment in respect of previous periods	103	71
Total deferred tax	<u>129</u>	<u>72</u>
Taxation on profit on ordinary activities	<u>831</u>	<u>2,707</u>

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

11. Taxation (continued)

Factors affecting tax charge for the year

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

	2020 £000	2019 £000
Profit on ordinary activities before tax	6,960	14,038
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	1,322	2,667
Effects of:		
Expenses not deductible for tax purposes	113	24
Income not taxable	-	(2)
Adjustments to tax charge in respect of prior periods	(603)	12
Tax rate changes	(1)	-
Change of basis adjustments	-	6
Total tax charge for the year	831	2,707

Factors that may affect future tax charges

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 17 March 2020. It was announced that the previously enacted decrease in the corporation tax rate from 19% to 17% from 1 April 2020 will not happen and the corporation tax rate will remain at 19% for the foreseeable future.

12. Dividends

	2020 £000	2019 £000
Dividends paid on ordinary shares (2020: £1.85 per share (2019: £1.30 per share))	5,000	3,500

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

13. Intangible assets

	Software £000
Cost	
At 1 October 2019	215
At 30 September 2020	215
Accumulated amortisation	
At 1 October 2019	198
Charge for year	12
At 30 September 2020	210
Net book value	
At 30 September 2020	5
At 30 September 2019	17

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

14. Tangible fixed assets

	Assets under construction £000	Leasehold property and improvements £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost					
At 1 October 2019 (as previously stated)	9	14,328	2,678	25	17,040
Reclassification	-	(1,038)	83	-	(955)
At 1 October 2019 (as restated)	9	13,290	2,761	25	16,085
Additions	45	-	103	-	148
Disposals	-	-	(9)	-	(9)
At 30 September 2020	54	13,290	2,855	25	16,224
Accumulated depreciation					
At 1 October 2019 (as previously stated)	-	2,152	1,415	1	3,568
Reclassification	-	(1,069)	114	-	(955)
At 1 October 2019 (as restated)	-	1,083	1,529	1	2,613
Charge for the year	-	1,386	450	13	1,849
Disposals	-	-	(9)	-	(9)
At 30 September 2020	-	2,469	1,970	14	4,453
Net book value					
At 30 September 2020	54	10,821	885	11	11,771
At 30 September 2019 (as restated)	9	12,207	1,232	24	13,472

An opening balance reclassification was made between cost and depreciation for leasehold property and improvements and plant and equipment. The overall impact on net book value was £nil.

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

14. Tangible fixed assets (continued)

(i) Right-of-use assets

As at 30 September 2020, right-of-use assets have been recognised as follows:

	Leasehold property and improvements £000	Fixtures and fittings £000	Total £000
Right-of-use assets			
Cost	8,970	25	8,995

The following amounts relating to right-of-use assets and liabilities are recognised in the balance sheet:

(ii) Amounts recognised in the balance sheet

	2020 £000	2019 £000
Right-of-use assets		
Leasehold property and improvements	7,596	8,566
Fixtures and fittings	11	24
	<u>7,607</u>	<u>8,590</u>
	2020 £000	2019 £000
Lease liabilities		
Current	1,043	1,038
Non-current	6,617	7,508
	<u>7,660</u>	<u>8,546</u>

Additions to the right-of-use assets during the 2020 financial year were £nil (2019: £8,995,000).

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

14. Tangible fixed assets (continued)

(iii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2020 £000	2019 £000
Depreciation charge of right-of-use assets		
Leasehold property and improvements	(970)	(404)
Fixtures and fittings	(13)	(1)
	<u>(983)</u>	<u>(405)</u>
	2020 £000	2019 £000
Interest expense (included in finance cost)	(228)	(102)
Expense relating to short-term leases (included in administrative expenses)	(1)	(315)
Expenses relating to low value leases (included in administrative expenses)	<u>(99)</u>	<u>(55)</u>

The total cash outflow for leases in 2020 was £1,214,000 (2019: £922,000).

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

14. Tangible fixed assets (continued)

(iv) The company's leasing activities and how these are accounted for

The company leases various offices, and plant and machinery. Rental contracts are typically made for fixed periods of 0 to 13 years.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of leasehold improvements and plant and machinery were classified as either finance leases or operating leases. From 1 October 2018, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

15. Stocks

	2020 £000	2019 £000
Raw materials and consumables	13,552	12,855
Work in progress	5,686	8,453
Finished goods and goods for resale	3,819	674
	<u>23,057</u>	<u>21,982</u>

There is no significant difference between the replacement cost of stocks and their carrying amounts.

Stocks are stated after provisions for impairment of £539,000 (2019: £1,349,000).

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

16. Debtors

	2020 £000	2019 £000
Trade debtors	425	2,687
Amounts owed by fellow group companies	17,124	17,981
Other debtors	968	1,513
Prepayments and accrued income	288	98
Deferred taxation (note 20)	134	212
Derivative financial instruments	661	359
	<u>19,600</u>	<u>22,850</u>

Amounts owed by fellow group undertakings and the parent company are unsecured, interest free and repayable on demand.

Trade debtors are stated after provisions for impairment of £265,000 (2019: £77,000).

17. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Bank overdrafts	402	596
Lease liabilities	1,043	1,038
Trade creditors	4,139	5,733
Amounts owed to fellow group undertakings	445	1,279
Corporation tax	129	1,234
Other creditors	289	658
Accruals and deferred income	3,896	3,307
Derivative financial instruments	410	385
	<u>10,753</u>	<u>14,230</u>

The bank overdrafts are secured by a floating charge over certain assets of the company.

Amounts owed to fellow group undertakings and the parent company are unsecured, interest free and repayable on demand.

Trade creditors are non-interest bearing and normally settled on 30 day terms.

Other creditors are non-interest bearing and have an average term of 1 month.

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

18. Creditors: Amounts falling due after more than one year

	2020 £000	2019 £000
Lease liabilities	<u>6,617</u>	<u>7,508</u>

19. Leases

Future minimum lease payments are as follows:

	2020 £000	2019 £000
Not later than one year	1,043	1,038
Later than one year but not later than five years	3,856	3,758
Later than five years	2,761	3,750
	<u>7,660</u>	<u>8,546</u>

20. Deferred taxation

	2020 £000	2019 £000
At beginning of year	212	419
Charged to profit and loss account	(129)	(72)
Credited/(charged) to other comprehensive income	51	(135)
At end of year	<u>134</u>	<u>212</u>

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

20. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Fixed assets	64	124
Pension	104	117
Change in basis	(34)	(29)
	<u>134</u>	<u>212</u>

Comprising:

Asset - due after one year	64	124
Asset - due within one year	104	117
Liability - due after one year	(34)	(29)
	<u>134</u>	<u>212</u>

21. Provisions

	Warranty £000	Lease dilapidations £000	Total £000
At 1 October 2019	71	-	71
(Released)/charged to profit or loss	(49)	85	36
At 30 September 2020	<u>22</u>	<u>85</u>	<u>107</u>

Warranty

The warranty provision covers the costs of future parts to be supplied and labour costs provided as part of the initial cover sold with the company's main systems. The parts and service warranties usually cover up to two years after the initial delivery and commissioning of the system.

Lease dilapidations

The lease dilapidation provision covers the cost of restoring the leased property to its original condition at the end of its lease.

22. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
2,700,000 (2019: 2,700,000) ordinary shares of £1.00 each	<u>2,700</u>	<u>2,700</u>

There have been no issues or cancellations of share capital during the year.

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

23. Pension commitments

Defined contribution scheme

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £447,000 (2019: £942,000). There are no outstanding or prepaid contributions at the year end (2019: £nil).

Defined benefit scheme

The company also operates a defined benefit pension scheme providing benefits based on final pensionable pay, which is now closed to future accruals. The latest full actuarial valuation was carried out at 31 March 2017 and was updated for IAS 19 purposes to 30 September 2020 by a qualified independent actuary.

The scheme is a registered pension scheme with a funded defined benefit section under which benefit accrual ceased with effect from 30 September 2012. The scheme operates under the regulatory framework of the Pensions Act 2004.

Under the scheme a trustee company has primary responsibility for governance of the scheme. Benefit payments are made from trustee administered funds. Scheme assets are held under trusts which are governed by UK regulation. Responsibility for governance of the scheme, including setting contribution rates, lies jointly with the company and the trustee. Investment decisions are the responsibility of the trustee only.

Through its defined benefit pension plan, the company is exposed to a number of risks, the most significant of which are detailed below:

(i) Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets (diversified growth fund) which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short term. The allocation to growth assets is monitored such that it is suitable for the Scheme's long term objectives.

(ii) Changes in bond yields

A decrease in corporate bond yields will increase the Scheme's liabilities, although this will be partially offset by an increase in the value of the Scheme's bond holdings. As noted above, the Scheme's investment in liability driven investments ("LDI") partially mitigates this risk.

(iii) Inflation risk

The majority of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increase are in place to protect against extreme inflation). As noted above, the Scheme's investment in LDI partially mitigates this risk.

(iv) Life expectancy

The majority of the schemes obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

23. Pension commitments (continued)

Reconciliation of present value of plan liabilities:

	2020 £000	2019 £000
At the beginning of the year	24,295	21,970
Past service costs	-	528
Interest cost	419	610
Benefits paid	(1,027)	(898)
Experience gains	(1)	(11)
Actuarial losses - financial assumption changes	986	2,096
At the end of the year	24,672	24,295

Reconciliation of present value of plan assets:

	2020 £000	2019 £000
At the beginning of the year	23,579	20,203
Interest income	414	554
Employer contributions	816	816
Benefits paid	(1,027)	(898)
Return on assets excluding interest income	339	2,904
At the end of the year	24,121	23,579

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Notes to the financial statements for the year ended 30 September 2020

23. Pension commitments (continued)

Composition of plan assets:

	2020 £000	2019 £000
Equities	7,404	6,366
Corporate bonds	5,032	4,645
LDI	4,468	4,952
Diversified growth	4,798	4,315
Cash	136	1,108
Property income	2,283	2,193
Total plan assets	24,121	23,579

Within the scheme's planned assets, only equities and index linked gilts are quoted on active markets.

The amounts recognised in the balance sheet are as follows:

	2020 £000	2019 £000
Fair value of plan assets	24,121	23,579
Present value of plan liabilities	(24,672)	(24,295)
Net pension scheme liability	(551)	(716)

The amounts recognised in profit or loss are as follows:

	2020 £000	2019 £000
Past service cost	-	528
Interest on obligation (net)	5	56

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Notes to the financial statements for the year ended 30 September 2020

23. Pension commitments (continued)

For the year ended 30 September 2021, it is expected that the company will have a net interest expense on the defined benefit pension of £nil (2020: £nil).

The amounts recognised in the statement of comprehensive income are as follows:

	2020 £000	2019 £000
Experience losses	(1)	(11)
Actuarial losses	986	2,096
Gain on asset excluding interest income	(339)	(2,904)
	<u>646</u>	<u>(819)</u>

A reconciliation of the net liability from the beginning to the end of the year is shown below:

	2020 £000	2019 £000
At the beginning of the year	716	1,767
Employer contributions	(816)	(816)
Interest recognised in the profit and loss account	5	56
Actuarial loss/(gains)	646	(819)
Past service costs	-	528
At the end of the year	<u>551</u>	<u>716</u>

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

23. Pension commitments (continued)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2020 %	2019 %
Discount rate	1.44	1.76
Future pension increases, capped at 5%	2.89	3.00
Future pension increases, capped at 3%	2.39	2.45
Inflation	2.94	3.10
Inflation assumption (CPI)	2.49	2.10
Section 52A orders	2.49	2.10
The mortality assumptions used were as follows (years):		
- for a male aged 65 now	23	23
- at 65 for a male aged 45 now	24	25
- for a female aged 65 now	25	24
- at 65 for a female member aged 45 now	26	26

Assumed healthcare cost trend rates have a significant effect on the resulting pension obligation. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	2020 £'000	2019 £'000
Discount rate at 1.94% (plus 0.5% pa)	22,822	22,456
Discount rate at 0.94% (less 0.5% pa)	26,745	26,361
RPI and CPI at 3.44% and 2.99% (plus 0.5% pa)	25,869	25,422
RPI and CPI at 2.44% and 1.99% (less 0.5% pa)	23,208	22,927
Long term mortality improvement reduced by one year	23,466	23,252
Long term mortality improvement increased by one year	25,888	25,346

Carl Zeiss Microscopy Limited

Notes to the financial statements for the year ended 30 September 2020

23. Pension commitments (continued)

The following are the expected benefit payments from the defined benefit plan in future years:

	2020 £000	2019 £000
Not later than 12 months	820	722
Later than 1 year and not later than 5 years	3,609	3,470
Later than 5 years	5,317	5,180
	<u>9,746</u>	<u>9,372</u>

The company expects to contribute £408,000 (2020: £816,000) to its defined benefit pension scheme in the next year. The average duration of the defined benefit obligation at the end of the reporting period is 17 years (2019: 17 years).

24. Related party transactions

The company is exempt from disclosing related party transactions with companies that are wholly owned within the Carl Zeiss AG group.

25. Immediate parent undertaking and ultimate controlling party

The company's immediate parent undertaking is Carl Zeiss Microscopy GmbH, a company incorporated in Germany.

The ultimate parent undertaking and controlling party is Carl Zeiss Stiftung, a company incorporated in Germany.

The smallest and also largest group in which the results of the company are consolidated is that headed by Carl Zeiss AG, an intermediate parent company, incorporated in Germany.

The consolidated financial statements of Carl Zeiss AG are available to the public and may be obtained from their registered office at Carl-Zeiss-Strasse 22, 73447 Oberkochen, Germany.