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Company Registration No. 00476611

LEICA MICROSYSTEMS (UK) LIMITED

Report and Financial Statements

31 December 2019

REPORT AND FINANCIAL STATEMENTS 2019

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LEICA MICROSYSTEMS (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS 2019

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr D L Edwards
Mr M Limberger
Mr P D Newell

REGISTERED OFFICE

Lothbury House
Cambridge Technopark
Newmarket Road
Cambridge
CB5 8PB

BANKERS

HSBC Bank plc
27th Floor
8 Canada Square
London
E14 5HQ

AUDITORS

Ernst & Young LLP
One Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

STRATEGIC REPORT

REVIEW OF BUSINESS

The company continued to act as the United Kingdom distributor for Leica Microsystems and Leica Biosystems. Leica Microsystems is a leading global designer and producer of innovative high-tech precision optics systems for the analysis of microstructures. Leica Biosystems is a producer of diagnostic systems and consumables.

The company's key financial and other performance indicators were as follows:

KPI	2019	2018	Change
	£000	£000	%
Turnover	64,788	66,207	-2
Operating profit	1,498	(79)	-1,996
Orders received	63,438	69,320	-8
Yearend overdue debt	1,345	577	+133
Yearend inventory	735	752	-2

FUTURE DEVELOPMENTS

The company expects continued success in the future, with moderate organic growth of Leica Microsystems and Biosystems products as well as new additions to the product range.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties are grouped as financial and competitive.

Market risk

The various segments of the life sciences markets in which the company operates in general are ex-pected to show continued organic growth in the long run, on short term the budgets available in these markets can be subject to cut of public spending with a risk of drop in sales.

Competitive risk

A competitive and innovative product portfolio is essential to retain a competitive edge in the market place. There are threats that competitors can launch new products into the markets before the company can effectively respond, thus resulting in lost sales. To reduce this risk the company continually under-takes market and customer research and defines market strategies to counteract on challenges from competition.

Internal control and corruption risk

In order to minimize risks of fraud and internal misuse of assets the company has implemented suffi-cient segregation of duties rules esp. in regard of granting access to its ERP system where regular reviews are conducted to secure user lists are up to date and SOD conflicts are detected and mitigated. For securing trade compliance and reducing the risk for bribery and corruption the company is running training programs and conducting audits and reviews on regular basis esp. with the focus on all of its sales channels used.

Business activity is subject to Danaher Corporation's risk mitigation procedures. These include satisfy-ing Danaher's corporate governance principles and Sarbanes Oxley audit controls.

Foreign currency risk

The company has transactional currency exposures which arise from sales in currencies other than its functional currency as well as the currency risk associated with inter-company transactions in various currencies. Potential exposures to foreign currency exchange rate movements are monitored monthly.

STRATEGIC REPORT

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. The company's credit risk is primarily attributable to amounts receivable from its customers and this risk is monitored and managed closely as explained.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In respect of liquidity risk, the company closely monitors performance against prior periods and run rates to ensure that sufficient funds are available for its ongoing operations and future developments. The company is part of a larger Danaher group cash pooling arrangement and so sufficient funds are available to the company as needed on demand.

Cash flow risk

Cash flow risk is the risk that inflows and outflows of cash and cash equivalents will not be sufficient to finance day-to-day operations of the company. The company manages cash flow risk by careful negotiation of terms with customers, suppliers and affiliates, to maintain available funds to meet its liabilities as they fall due. The company has no external loan debt and accordingly has no significant interest risk.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board and agreed with the parent company are implemented by the company's finance department.

COVID-19 and Going concern

The COVID-19 pandemic has presented risks to the business. Refer to the Directors report under the "COVID-19 and Going Concern" section for the assessment of the impact of the pandemic to the business and our mitigating plans.

SECTION 172(1) STATEMENT

The revised UK Corporate Governance Code was published in July 2018 and applies to accounting periods beginning on or after January 1, 2019.

The Companies (Miscellaneous Reporting) Regulations 2018 require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172.

The Companies (Miscellaneous Reporting) Regulations 2018 require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172.

This S172 statement, which is reported for the first time, explains how the Directors:

a) have engaged with employees, suppliers, customers and others; and
b) have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and other, and the effect of that regards, including on the principal decisions taken by the company during the financial year.

The S172 statement focuses on matters of strategic importance to the Company, and the level of information disclosed is consistent with the size and the complexity of the business.

STRATEGIC REPORT

General confirmation of Directors' duties

The Board has a clear framework for determining the matters within its remit and certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. The Delegation of Authority sets out the delegation and approval process across the broader business.

When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"

The company is part of the Danaher group which is a global group of companies listed on the New York Stock Exchange, and all its shares are held internally within the Danaher group. The Danaher group and all its subsidiaries embrace the Danaher Business System (DBS) into its core values.

The business, its Directors and employees embody the core values of building the best team, continuously improving and driving innovation and this is included in each decision made in the short or long term.

The Directors understand the business and the evolving environment in which it operates, including the related challenges. Based on the Company's purpose to be the partner of choice to build the future of coding and marking, the strategy set by the Board is intended to strengthen the position as a leading supplier of coding and marking products and services while keeping safety and social responsibility fundamental to the business approach.

S172(1) (B) "The interests of the company's employees"

The Directors recognise that employees are fundamental and core to the business and delivery of its strategic ambitions. The success of the business depends on attracting, retaining and motivating employees. From ensuring that it remains a responsible employer, from pay and benefits to the health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

Employee engagement, organisational culture, attracting and retaining talent is key to the business and to Danaher group. The company complies with all employment legislation. A key driver in the Danaher culture is to embed diversity and inclusion. Each year all employees can take part in a Danaher wide independent employee survey, the results of which are reviewed in detail and actions taken. An annual appraisal program is followed for all employees.

S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering the Company's strategy requires strong mutually beneficial relationships with suppliers, customers and government. The Company seeks the promotion and application of sound corporate governance principles in such relationships, which are prescribed in standards such as the Supplier Code of Conduct which governs the Company's approach to suppliers. The Company continuously assess the priorities related to customers and those with whom we do business, and the Board is involved in this process through business strategy updates and considering investment or divestment proposals. Moreover, the Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged. These range from information provided from the Finance and/or Legal Department (e.g. supplier contract management topics) to information provided by the Financial Planning and Analysis Department (on customers related to business strategies, projects and investment or divestment proposals).

S172(1) (D) "The impact of the company's operations on the community and the environment"

The Board receives information on these topics to both provide relevant information for specific Board decisions (e.g. those related to specific strategic initiatives such as investment or divestment proposals, business strategy reviews, etc.) and to provide ongoing overviews (e.g., regular Health & Safety updates, reports from internal audit).

STRATEGIC REPORT

S172(1) (E) "The desirability of the company maintaining a reputation for high standards of business conduct"

The Company aims to meet the worlds increasing demand for medical devices and tools in the life sciences and diagnostics markets in ways which are economically, environmentally and socially responsible. The Board periodically reviews and approves clear frameworks, such as the Standards of Conduct, specific Ethics & Compliance manuals, and ensures all personnel participate in training which cover topics such as Bribery and Modern Slavery. All personnel have access to the Danaher Integrity and Compliance Helpline as well as the Danaher reporting platform through which any compliance or ethics issues can be discussed or reported to Danaher Corporation, the ultimate holding company. The Company also performs due diligence before entering into new supplier or distributor agreements. These measures ensure that high standards of business conduct are maintained both within the Company and its business relationships.

S172(1) (F) "The need to act fairly as between members of the company"

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of the Company's strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, the Directors act fairly as between the Company's members but are not required to balance the Company's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

Principal decisions

Below, we outline some of the principal decisions made by the Board over the year, explain how the Directors have engaged with, or in relation to, the different key stakeholders and how stakeholder interests were considered over the course of decision-making.

- **Investing in new products or research and development**
  In 2019 there were no significant new market introductions.
- **Divestments and Impairments**
  In 2019 there were no acquisitions or disposals of businesses.
- **Shareholder distributions**
  In 2019, the Board assessed that no dividends were paid to the shareholder(s).

On behalf of the Board

D L Edwards

Director

Date: 13.08.2020

DIRECTORS' REPORT (CONTINUED)

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The profit for the year after taxation is £2,371,000 (2018 £576,000). No dividends were paid during the year.

DIRECTORS, COMPANY SECRETARY AND THEIR INTERESTS:

The directors who served during the year were as follows:

Mr D L Edwards
Mr A Humes (resigned 31st December 2019)
Mr M Vornhagen (resigned 30th June 2020)
Mr A van Doornik (resigned 26th June 2020)
Mr M Limberger (appointed 31st May 2020)
Mr P D Newell (appointed 26th June 2020)

COVID-19 AND GOING CONCERN

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This has highlighted the importance of the life sciences and diagnostics markets in which the Leica Microsystems and the Leica Biosystems Groups are playing an important part and for which the Company is responsible for all selling and after sales service operations in the UK territories.

The COVID-19 pandemic has, at the time of approving these financial statements, had minimal impact on the Company. The demand for the company's products has decreased slightly and accordingly the forecast for coming periods, covering at least 12 months from approval of the financial statements, has been reduced only insignificantly by a mid-single-digit number to reflect the Directors current expectations of the impact on results for the remainder of 2020 and future periods. Whilst there have been restrictions on staff movement like widely use of home office work and online meetings instead of travelling the business has operated with basically no disruption and was able to continuously service its customers.

Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2020 full year impact cannot yet be known but the directors are confident that they have put in place measures to ensure the impact is mitigated as much as possible, with protection of staff, continuity of supply chain, continued service delivery to customers and ongoing productivity is maintained.

The circumstances of COVID-19 currently assessed as significant to the Company are:

- People: employees are widely making use of home office work solutions and online meetings to avoid business travel and so can provide their service to the company with minimised risk
- Health & safety: all measures as recommended on social distancing, wearing of masks and gloves etc. are implemented, overall development of the situation is monitored closely and followed up
- Supply Chain: the supply of finished products and spare parts of the company is mainly secured from intercompany manufacturers of the Leica Microsystems and Leica Biosystems Groups and here no shortages or delivery issues have been noted so far. The same applies for purchases of indirect spend for which no impact from COVID-19 has been experienced
- Demand: the request for products and after sales services of the company from its customers is basically stable with only a slight reduction in the first half year of 2020. Some of this reduction is expected to be recovered in the second half year, with no significant impact of COVID-19 expected in the foreseeable future

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to competitive, legislative, financial, price, credit, liquidity and cash flow risks are described in the Business Review and Principal Risks and Uncertainties above.

The company is part of the Danaher UK group cash pool arrangement. As part of the group cash pool arrangement, company cash holdings remain in the ownership of each company and are not subject to cash sweeping. All members of the cash pool have entered into unlimited cross guarantees in respect of bank borrowings with fellow participating companies.

The company is trading profitably, with positive cash flow and a strong balance sheet. The group cash pool arrangement in the UK is also available if the company requires immediate access to cash funds to meet its liabilities as they fall due. The cash position of the UK group as a whole is strong and therefore the company and fellow UK subsidiaries has access to sufficient operating funds as necessary.

After making due enquiries and considering the impact of COVID-19 and the access to funds, cross guarantees with fellow members of the UK Group cashpool, and ultimately strength of its balance sheet, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least 12 months from the date of signing of these financial statements. These considerations included the impact of COVID-19 on company, as well as the wider UK and Danaher Corporation group. Accordingly, the financial statements have been prepared on the going concern basis.

THIRD PARTY INDEMNITIES

Danaher Corporation has provided to all directors limited indemnities in respect of the cost of defending claims against them and third-party liabilities. These are all third-party indemnity provisions to the Companies Act 2006 and are all currently in force.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are 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.

On behalf of the Board

D L Edwards

Director

Date: 13.08.2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and applicable law. 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 judgements and accounting 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEICA MICROSYSTEMS (UK) LIMITED

Opinion

We have audited the financial statements of Leica Microsystems (UK) Limited for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of changes in equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Disclosures in relation to the impact of COVID-19

We draw attention to Note 2.1 and 19 of the financial statements, which describe the impact on the company of COVID-19 in its operations and assessment of going concern. Our opinion is not modified in respect of this matter.

Conclusion relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEICA MICROSYSTEMS (UK) LIMITED (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Fraser Bull (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

Date 19 August 2020

LEICA MICROSYSTEMS (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	2019 £000	2018 £000
TURNOVER	3	64,788	66,207
Cost of sales		(45,110)	(47,323)
GROSS PROFIT		19,678	18,884
Operating expenses		(18,180)	(18,963)
OPERATING PROFIT	4	1,498	(79)
Interest receivable and similar income	6	768	713
Interest payable and similar charges	7	(8)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,258	634
Tax credit/(charge) on profit on ordinary activities	8	143	(58)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,401	576
Actuarial gain related to pension scheme	16	4,445	989
Deferred tax relating on defined pension asset	8	(755)	86
Other movements		-	(11)
OTHER COMPREHENSIVE INCOME		3,690	1,064
TOTAL COMPREHENSIVE INCOME		6,091	1,640

All activities derive from continuing operations. The accompanying notes are an integral part of this income statement.

LEICA MICROSYSTEMS (UK) LIMITED

Registered number 00476611

STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Note	2019 £000	2018 £000
FIXED ASSETS			
Tangible assets	9	4,125	3,969
Right-of-use assets	13	747	-
		4,872	3,969
CURRENT ASSETS			
Stock	10	735	752
Debtors			
- due within one year	11	10,813	12,399
- due after more than one year	11	18,977	18,734
Cash at bank and in hand		10,484	9,627
		41,009	41,512
CREDITORS: amounts falling due within one year	12	(18,500)	(20,087)
NET CURRENT ASSETS		22,509	21,425
TOTAL ASSETS LESS CURRENT LIABILITIES		27,381	25,394
DEFINED BENEFIT PENSION SCHEME ASSET	16	17,802	12,981
CREDITORS: amounts falling due after more than one year	12	(2,431)	(2,327)
PROVISION FOR LIABILITIES AND CHARGES			
- Deferred tax	8	(1,805)	(1,192)
- Property provisions	14	(450)	(450)
NET ASSETS		40,497	34,406
CAPITAL AND RESERVES			
Called up share capital	15	11,725	11,725
Profit and loss account		28,772	22,681
TOTAL SHAREHOLDERS' FUNDS		40,497	34,406

These financial statements were approved by the Board of Directors on 13. August 2020.

Signed on behalf of the Board of Directors

D L Edwards

Director

The accompanying notes are an integral part of this statement of financial position.

LEICA MICROSYSTEMS (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Called-up share capital £000	Profit and loss account £000	Total Shareholders funds £000
At 1 January 2018	11,725	21,041	32,766
Other comprehensive income	-	1,064	1,064
Profit for the year	-	576	576
At 31 December 2018	11,725	22,681	34,406
Other comprehensive income	-	3,690	3,691
Profit for the year	-	2,401	2,371
At 31 December 2019	11,725	28,772	40,497

The accompanying notes are an integral part of this statement of changes in equity.

Notes to the Accounts
Year ended 31 December 2019

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS101

The financial statements of Leica Microsystems (UK) Limited (the "Company") for the year ended 31 December 2019 were authorised for issue by the board of directors on 13. August 2020 and the statement of financial position was signed on the board's behalf by D L Edwards. Leica Microsystems (UK) Limited is incorporated and domiciled in the United Kingdom. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The results of Leica Microsystems (UK) Limited are included in the consolidated financial statements of Danaher Corporation which are available from 2200 Pennsylvania Avenue Suite 800 West, Washington DC 20037, USA.

The principal accounting policies adopted by the Company are set out in note 2.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The Company has taken advantage of the following disclosure exemptions under FRS 101:
(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based Payment*, because:
 (i) the share based payment arrangement concerns the instruments of another group entity;
(b) the requirements of IFRS 7 *Financial Instruments: Disclosures*,
(c) the requirements of paragraphs 91-99 of IFRS *13 Fair Value Measurement*,
(d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 (i) paragraph 79(a)(iv) of IAS 1;
 (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
 (iii) paragraph 118(e) of IAS 38 *Intangible Assets;*
(e) the requirements of paragraphs 10(d), 10(f), 38A, 38B, 38C, 38D, 111, and 134-136 of IAS 1 Presentation of Financial Statements;
(f) the requirements of IAS 7 Statement of Cash Flows;
(g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
(h) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
(i) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
(j) the requirements of paragraphs 130(f)(ii)-130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Notes to the Accounts
Year ended 31 December 2019

2.1 BASIS OF PREPARATION (continued)

COVID-19 AND GOING CONCERN

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This has highlighted the importance of the life sciences and diagnostics markets in which the Leica Microsystems and the Leica Biosystems Groups are playing an important part and for which the Company is responsible for all selling and after sales service operations in the UK territories.

The COVID-19 pandemic has, at the time of approving these financial statements, had minimal impact on the Company. The demand for the company's products has decreased slightly and accordingly the forecast for coming periods, covering at least 12 months from approval of the financial statements, has been reduced only insignificantly by a mid-single-digit number to reflect the Directors current expectations of the impact on results for the remainder of 2020 and future periods. Whilst there have been restrictions on staff movement like widely use of home office work and online meetings instead of travelling the business has operated with basically no disruption and was able to continuously service its customers.

Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2020 full year impact cannot yet be known but the directors are confident that they have put in place measures to ensure the impact is mitigated as much as possible, with protection of staff, continuity of supply chain, continued service delivery to customers and ongoing productivity is maintained.

The circumstances of COVID-19 currently assessed as significant to the Company are:

- People: employees are widely making use of home office work solutions and online meetings to avoid business travel and so can provide their service to the company with minimised risk
- Health & safety: all measures as recommended on social distancing, wearing of masks and gloves etc. are implemented, overall development of the situation is monitored closely and followed up
- Supply Chain: the supply of finished products and spare parts of the company is mainly secured from intercompany manufacturers of the Leica Microsystems and Leica Biosystems Groups and here no shortages or delivery issues have been noted so far, same applies for purchases of indirect spend for which no impact from COVID-19 has been recorded at all
- Demand: the request for products and after sales services of the company from its customers is basically stable with a slight reduction only in the first half year of 2020 and it is expected to even recover partially for this in the second half year, no significant impact by COVID-19 is expected in the foreseeable future

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to competitive, legislative, financial, price, credit, liquidity and cash flow risks are described in the Business Review and Principal Risks and Uncertainties above.

The company is part of the Danaher UK group cash pool arrangement. As part of the group cash pool arrangement, company cash holdings remain in the ownership of each company and are not subject to cash sweeping. All members of the cash pool have entered into unlimited cross guarantees in respect of bank borrowings with fellow participating companies.

The company is trading profitably, with positive cash flow and a strong balance sheet. The group cash pool arrangement in the UK is also available if the company requires immediate access to cash funds to meet its liabilities as they fall due. The cash position of the UK group as a whole is strong and therefore the company and fellow UK subsidiaries has access to sufficient operating funds as necessary.

After making due enquiries and considering the impact of COVID-19 and the access to funds, cross guarantees with fellow members of the UK Group cashpool, and ultimately strength of its balance sheet, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least 12 months from the date of signing of these financial statements. These considerations included the impact of COVID-19 on company, as well as the wider UK and Danaher Corportion group. Accordingly, the financial statements have been prepared on the going concern basis.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations

The company has adopted IFRS 16 *Leases* with effect from 1 January 2019. The effect of initially adopting this standard is outlined below.

IFRS 16 *Leases* replaces the previous standard IAS 17, and determines how all leases are accounted for and has materially impacted the company's 2019 accounts. The accounting policy is disclosed in note 2.4. The company has adopted IFRS 16 using the modified retrospective approach, so that the right-of-use asset is equal to the lease liability on 1 January 2019, adjusted for any rent prepayments or accrued lease payments. The 2018 comparatives have not been restated, as allowed by the specific transitional provisions within the standard. The reclassifications and adjustments arising from the new standard are therefore recognised in the opening balance sheet as at 1 January 2019.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases that had previously been classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate as at 1 January 2019. The table below reconciles the operating lease commitments disclosed under IAS 17, to the lease liability recognised under IFRS 16.

	2019
	£000
Operating lease commitments disclosed under IAS 17 at 31 December 2018	1,395
Discounted using the company's incremental borrowing rate at 1 January 2019	(226)
Discounted operating lease commitments at 1 January 2019	1,169
Relief option for leases of low value assets	-
Lease liability recognised at 1 January 2019	**1,169**
Of which:	
Current lease liabilities	417
Non-current lease liabilities	752
Lease liability recognised at 1 January 2019	**1,169**

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using the incremental borrowing rate at 1 January 2019. The weighted average rate applied ranges from 1.3% to 2.1%.

2. ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

The associated right-of-use assets for all leases were measured at an amount equal to the lease liability, adjusted by any prepaid (or accrued) lease payments. The recognised right-of use assets at 1 January 2019 relate to the following types of assets:

	2019
	£000
Real estate	642
Equipment	527
Total right-of-use assets recognised at 1 January 2019	**1,169**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019.

	As previously reported	Impact of IFRS 16	Restated
	£000	£000	£000
Non-current assets			
Right-of-use assets	–	1,169	1,169
Total impact on assets	**–**	**1,169**	**1,169**
Current liabilities			
Creditors: amounts falling due within one year	20,087	417	20,504
Non-current liabilities			
Creditors: amounts falling due in over one year	2,237	752	2,989
Total impact on equity and liabilities	**22,324**	**1,169**	**23,493**

The impact on the income statement for the year ended 31 December 2019 was as follows:

	2019
	£000
Operating lease costs (note 13)	415
Depreciation expense (note 13)	(422)
Operating profit	(7)
Interest payable and similar charges (note 7)	(8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**(15)**

2. ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

The company used the following practical expedients available when applying IFRS 16 for the first time:

- The application of a single discount rate to a portfolio of leases with similar characteristics, for example based on term length and type of lease.
- Reliance on previous assessments of whether a contract is or contains a lease.
- Exemptions available for low-value and short-term leases.
- Reliance on previous assessments of whether leases are onerous.

2.3 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The company also has to make judgements in applying its accounting policies which affect the amounts recognised in the financial statements. 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 key estimates, assumptions and judgements are set out below:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

Pension benefits obligation

The cost of defined benefit pension plans is determined using actuarial valuations. The valuations involve making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to uncertainty, and changes could have a material impact on the financial statements.

Provisions

Management assesses the carrying value of debtor, inventory and warranty balances based on past losses, current trading patterns and anticipated future events.

Determination of Lease term

The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease where this is reasonably certain to be exercised, or any periods covered by an option to terminate the lease where this is reasonably certain not to be exercised. Many of the company's leases, particular property leases, contain options for the company to extend and/or terminate the lease term.

The company applies judgement in evaluating whether it is reasonably certain to exercise these options, taking account of all relevant factors that create an economic incentive for it to do so.

After the lease commencement date, the company reassesses the lease term if there has been a significant event or change in circumstances that is within its control and which affects its ability to exercise (or not to exercise) the option to renew and / or to terminate (e.g. a change in business strategy).

2. ACCOUNTING POLICIES (Continued)

2.3 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Determination of the Incremental Borrowing rate

The company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the company's stand-alone credit rating).

2.4 SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is measured based on the consideration to which the company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The company determines whether to recognise revenue, following a five-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied

Revenue arises from the manufacture and sale of precision optics systems and related consumables and rendering of equipment maintenance services. Sale of goods and services revenue is recognised at a point in time, unless specific conditions have been satisfied allowing revenue to be recognised over a period of time as identified in the five-step process e.g. where the asset produced doesn't have an alternative use and the company has an enforceable right to payment for performance completed to date. An input methodology (based on estimated costs) is used when recognising revenue over time. Use has been made of the practical expedient not to recognise a significant financing component where the period between transfer of the good or service and payment is one year or less.

A receivable is recognised when the performance obligations are satisfied (e.g. upon shipment, upon delivery as services are rendered or upon completion of service) as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due, there will be a reservation of title until payment has been received, but control has been transferred.

2. ACCOUNTING POLICIES (Continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows:

Leasehold Improvement	–	shorter of lease term and life of the item using straight line
Leased equipment	–	23% straight line
Fixtures and fittings	–	10 – 20 % straight line
IT hardware	–	20 - 25 % straight line

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the income statement in the period of de-recognition.

Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Foreign currency

The Company's financial statements are presented in Sterling, which is also the Company's functional currency. Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the monthly DHR exchange rate ruling in the month of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the balance sheet date. All exchange differences are included in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2. ACCOUNTING POLICIES (Continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost, including freight and duty where applicable, and net realisable value. Provision is made for obsolete and slow-moving stock.

Leases where the company is lessee

The company's lease commitments relate mainly to properties and motor vehicles. Leases are typically negotiated on an individual basis and thus contain a wide range of terms and conditions, including options to extend or terminate. The lease liability is considered to be an indicator of the future cash outflows, there are no significant restrictions or covenants, residual value guarantees or sale and lease-back transactions. Previously, payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

From 1 January 2019, the company assesses at contract inception whether a contract is, or contains, a lease. The company initially recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets is equal to the aggregate lease liabilities recognised on day 1, adjusted for any initial direct costs incurred, any lease incentives received, and any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the lease term. Right of use assets are tested for impairment at each year end.

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted at the incremental borrowing rate. The lease payments include fixed payments less any lease incentives received, and amounts expected to be paid under residual value guarantees. In calculating the present value of the lease payments, the company uses its incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. Following recognition, the liability is reduced for the lease payments made and increased by the interest accrued. Moreover, the carrying amount of the lease liability is re-measured in the event of a modification, such as a change in the lease term or change in the lease payments. The interest cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining liability for each period.

The company applies the short-term lease exemption to those leases that have a lease term of 12 months or less from the commencement date and also applies the exemption for leases of low value assets to office equipment. Lease payments relating to these exemptions are recognised in operating expenses on a straight-line basis over the lease term. These exemptions are not applied to property leases and any short-term property leases are accounted for as above.

Leases where the company is lessor

Leases are classified as either finance or operating leases. Leasing transactions that transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee are classified as finance leases. All other leasing agreements are classified as operating leases.

A lease is classified at the inception date as a finance lease or an operating lease. Rentals under operating leases (including lease incentives) are charged in the profit and loss account on a straight-line basis over the lease term. Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the

leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

2. ACCOUNTING POLICIES (Continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension costs

A defined benefit pension scheme is operated for the employees of the UK companies within the Leica Microsystems group. The scheme is funded by the payment of contributions to a separately administered trust fund.

The defined benefit pension scheme is closed to new entrants and has been closed to future accruals at 31 December 2016. It is the general policy of the Company to fund pension liabilities, on the advice of external actuaries. Actuarial valuations on a going concern basis are carried out at least every three years.

The Company applies IAS 19 and incorporated the pension scheme asset in full on the grounds that the share of the assets and liabilities for any other participating company cannot be identified and would not be material in relation to the overall asset.

The cost of providing benefits under the defined benefit scheme is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the income statement on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or curtailment occurs the change in the present value of the Scheme liabilities and the fair value of the Scheme assets reflects the gain or loss which is recognised in the income statement.

Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest cost of the defined benefit obligations represents the change in present value of the Scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The interest income on Scheme assets is a component of the return on Scheme assets and is determined by multiplying the fair value of Scheme assets at the beginning of the year by the discount rate, adjusted for the effect on the fair value of Scheme assets of contributions received and benefits paid during the year. The difference between the interest income on Scheme assets and the interest cost on Scheme obligations is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur. Any difference between the expected return on scheme assets and that actually achieved and any differences that arise from experience or assumption changes are also charged through the statement of comprehensive income.

The defined benefit pension asset or liability in the statement of financial position comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds) less any past service cost not yet recognised and less the fair value of Scheme assets out of which the obligations are to be settled directly. Fair value is based on market price information and in

the case of quoted securities is the published bid price. The value of a net defined benefit pension asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the Scheme.

The Trustees do not have the unilateral power to amend the Scheme, augment benefits or trigger the wind up of the Scheme. Any surplus will be refunded to the Company at the point when the last member of the scheme is deceased.

The Company operates a defined contribution pension scheme, which is open to eligible employees. The Company's contributions are charged to the profit and loss account in the year in which they are payable.

2. ACCOUNTING POLICIES (Continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised; and
- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.)

Financial instruments

i) Financial assets

The Company's financial assets include cash, trade and other receivables.

Non-derivative financial assets are classified as either 'available for sale' financial assets or 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables - Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as receivables. Receivables are measured at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents - Cash and cash equivalents comprise balances on bank accounts, cash in transit and cash floats held in the business.

Finance income is accounted for on an accruals basis and credited to the Income Statement when receivable.

2. ACCOUNTING POLICIES (Continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial Instruments – Financial assets are classified, at initial recognition, as financial assets at Fair value through profit or loss (FVPL), loans and receivables, held to maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets are recognised initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the purpose for which the investments were acquired or originated.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Impairment of financial assets – Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

i) Financial liabilities

The Company's financial liabilities include trade and other liabilities.
Financial liabilities are classified according to the substance of the contractual arrangements entered into.

All financial liabilities are classified as 'other financial liabilities' and are initially measured at fair value net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or they expire.

Notes to the Accounts
Year ended 31 December 2019

3. TURNOVER AND SEGMENTAL INFORMATION

	2019 £000	2018 £000
Sales of goods	52,754	54,495
Rendering of services	12,034	11,712
	64,788	66,207

	2019 £000	2018 £000
Turnover by destination		
United Kingdom & Channel Islands	52,581	53,308
Rest of World	12,207	12,899
	64,788	66,207

4. OPERATING PROFIT

Operating profit is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible fixed assets (note 10)	1,763	1,637
Depreciation of right of use assets (note 13)	422	-
Operating lease rentals		
- land & buildings	-	218
- other	-	449
Auditors' remuneration – audit	33	23
Exchange differences	427	297

5. STAFF COSTS

(a) Staff costs

	2019 £000	2018 £000
Staff costs during the year		
Wages and salaries	6,415	6,082
Social security costs	1,141	1,072
Employee bonuses and commissions	1,233	1,471
Defined contribution (note 16)	454	451
Defined benefit expense (note 16)	(375)	663
Other employee costs	198	161
	9,066	9,900

Notes to the Accounts
Year ended 31 December 2019

5. STAFF COSTS (continued)

	2019 No.	2018 No.
Average numbers of persons employed		
Marketing, selling and technical service	148	138
General and administration	6	5
	154	143

The following disclosures are in respect of qualifying services provided by one director.

	2019 £000	2018 £000
Aggregate emoluments in respect of qualifying services	133	120

	2019 No.	2018 No.
Number of directors who received shares in respect of qualifying services	1	1
Number of directors who exercised share options	1	-
Number of directors accruing benefits under defined benefit schemes	-	-

	2019 £000	2018 £000
In respect of the highest paid director:		
Aggregate remuneration	133	120
Accrued pension at the end of the year	-	-
Accrued lump sum at the end of the year	-	-

The other directors' services to this Company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their qualifying services to other Danaher entities in the Leica group (D L Edwards, M Vornhagen). Accordingly, these financial statements include no emoluments in respect of these directors (2018: £nil).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £000	2018 £000
Bank interest receivable	67	59
Third party interest receivable	375	367
Intercompany interest receivable	326	287
	768	713

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2019	2018
	£000	£000
Bank interest payable	-	-
	(8)	-
	(8)	-

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the results for the year and comprises:

	2019	2018
	£000	£000
Current tax		
UK corporation tax	-	-
	-	-
Deferred tax		
Charge to the profit and loss account		
- Defined benefit pension scheme	64	(113)
- In respect of all other assets and liabilities	102	171
Adjustment in respect of prior years	(309)	-
	(143)	58
Tax credit/ (charge) on profit on ordinary activities	(143)	58

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2018: 19%). The actual tax charge for the year differs from the standard rate of UK corporation tax for the reasons set out in the following reconciliation.

	2019	2018
	£000	£000
Profit before tax	2,258	634
Tax on profit on ordinary activities at standard UK corporation tax rate of 19 % (2018: 19%)	429	120
Effects of:		
(Income)/expenses not (taxable) deductible	(27)	3
Difference tax rates	(20)	133
Prior year adjustment to deferred tax	(309)	-
Group relief	(216)	(198)
Tax credit/(charge) on profit on ordinary activities	(143)	58

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The amounts provided for deferred taxation are set out below:

	2019 £000	2018 £000
Fixed asset temporary differences	1,128	912
Short term timing differences	93	102
Defined benefit pension	(3,026)	(2,206)
At 31 December	(1,805)	(1,192)

	2019 £000	2018 £000
Deferred tax liability as at 1 January	(1,192)	(1,220)
Charge to the income statement	(167)	(58)
Adjustment in respect of prior years	309	-
(Charge)/ credit to other comprehensive income	(755)	86
Deferred tax liability as at 31 December	(1,805)	(1,192)

The amount of deferred tax not recognised at 31 December 2019 was £ nil (2018: £ nil).

The main rate of corporation tax in the UK is 19%, which per Finance Act 2016 was expected to reduce to 17% effective from 1 April 2020. The recent budget which was held on 11 March 2020 has reversed this rate reduction and the main UK tax rate will remain at 19% from 1 April 2020. The 17% rate for deferred tax continues to apply in these financial statements since the rate reduction reversal was not substantively enacted by the balance sheet date.

Under FRS 101 deferred tax should be measured using the tax rates that are expected to apply to the reversal of the timing differences. As such, deferred tax has been calculated at 17%.

Notes to the Accounts
Year ended 31 December 2019

9. TANGIBLE FIXED ASSETS

	Leasehold improvements	Leased equipment	Fixtures, fittings, plant & machinery	IT Hardware	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2019	624	10,938	19	112	11,693
Additions	-	1,879	-	51	1,930
Disposals	-	(487)	-	-	(487)
At 31 December 2019	624	12,330	19	163	13,136
Depreciation					
At 1 January 2019	616	6,990	19	99	7,724
Charge for the year	8	1,702	-	53	1,763
Disposals	-	(476)	-	-	(476)
At 31 December 2019	624	8,217	19	151	9,011
Net book value					
At 31 December 2019	-	4,113	-	12	4,125
At 1 January 2019	8	3,947	-	14	3,969

10. STOCK

	2019	2018
	£000	£000
Raw materials and consumables	135	189
Finished goods and goods for resale	600	563
	735	752

The difference between purchase price or production cost of stocks and their replacement cost is not material. During the year £36,352,000 (2018: 37,777,000) of inventories have been recognised as an expense within cost of goods sold.

11. DEBTORS

Amounts falling due within one year	2019	2018
	£000	£000
Trade debtors	9,648	11,319
Amounts owed by other group undertakings	691	512
Other debtors	193	285
Prepayments and accrued income	281	279
Finance leases	-	4
	10,813	12,399

11. DEBTORS (continued)

Amounts falling due after more than one year	2019	2018
	£000	£000
Amounts owed by other group undertakings	18,977	18,651
Finance leases	-	83
	18,977	18,734

On July 1st, 2016 Leica Microsystems (UK) Limited provided £18,000,000 to Leica Biosystems Newcastle Limited by means of a loan with a maturity date of June 2026. The loan is subject to a variable interest rate equal to the base rate of the Bank of England plus 1%.

12. CREDITORS

	2019	2018
	£000	£000
Trade creditors	567	693
Other creditors	22	12
Amounts owed to other group undertakings	12,345	13,507
Other taxation and social security	262	10
Accruals and deferred income	5,027	4,833
Lease liability (note 13)	277	-
	18,500	19,055

	2019	2018
	£000	£000
Deferred income	1,955	2,327
Lease liability (note 13)	476	-
Total creditors: amounts falling due after one year	2,431	2,327

13. LEASES

Operating lease agreements where the Company is lessee

The group has lease contracts for property and various items of properties and motor vehicles. Rental contracts are on average for a lease term of 4 years.

The company's obligations under its leases are secured by the lessor's title to the lease assets. Generally, the company is restricted from assigning and subleasing the leased assets. There are no lease contracts that with extension and termination options and variable lease payments.

The group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

13. LEASES (continued)

Operating lease agreements where the Company is lessee (continued)

Information about leases for which the group is a lessee is presented below:

	Real estate	Equipment	Total
	£000	£000	£000
Cost			
On transition to IFRS 16 (note 2)	642	527	1,169
Additions	-	-	-
Disposals	-	(9)	(9)
At 31 December 2019	642	518	1,160
Depreciation			
Charge for the year	127	295	422
Disposals	-	(9)	(9)
At 31 December 2019	127	286	413
Net book value			
At 31 December 2019	515	232	747
On transition to IFRS 16 (note 2)	642	527	1,169

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	£000
At 1 January 2019 (note 1)	1,169
Additions	–
Interest charged (Note 7)	8
Lease payments	(415)
Disposals	(9)
At 31 December 2019	753
Of which:	
Amounts falling due within one year	277
Amounts falling due beyond one year	476

The discount rates for the leases disclosed above ranged from 1.3% to 2.1%. The company has several lease contracts that include termination options, usually through a break clause. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and adapt to the company's business needs. Management exercises judgement in determining whether these termination options are reasonably certain to be exercised.

13. LEASES (continued)

Operating lease agreements where the Company is lessor

The Company holds a number of bond machines, which are let to third parties. These non-cancellable leases have remaining terms of between 5 and 10 years. All leases include a provision for five-yearly upward rent reviews according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2019	2018
	£000	£000
Operating lease commitment		
- within one year	1,673	1,162
- between two and five years	294	1,882
- over 5 years	-	115
	1,967	3,159

Finance lease agreements where the Company is lessor

Leica Microsystems UK is a lessor in connection with finance leases. These relate to the leasing of bond machines. Leica Microsystems recognises a receivable in the amount of the net investment in the lease. The lease payments made by the lessees are split into an interest component and a principal component using the effective interest method. The lease receivable is reduced by the principal received. The interest component of the payments is recognised as finance income in the income statement. The table below shows how the amount of the net investment in a finance lease is determined:

	2019			2018		
	Gross investment £000	Interest £000	Present value of minimum lease payments £000	Gross investment £000	Interest £000	Present value of minimum lease payments £000
Not later than one year	86	(3)	83	87	(11)	76
After one year but not more than five years	-	-	-	86	(3)	83
After five years	-	-	-	-	-	-
Total lease commitments	86	(3)	83	173	(14)	159

14. PROVISION FOR LIABILITIES AND CHARGES

	Property provisions £000
At 1 January 2019	450
Utilisation	-
Release of provision	-
At 31 December 2019	450

The property provision of £450,000 is the expected full dilapidation provision for two sites in Milton Keynes. Management sought advice from its solicitors, who confirmed the dilapidation liability for the former office rooms expected to be settled around April 2026. The amount is subject to negotiation.

15. CALLED UP SHARE CAPITAL

	2019 £000	2018 £000
Called up, allotted and fully paid		
11,725,497 ordinary shares of £1 each (2018: 11,725,497)	11,725	11,725
	11,725	11,725

16. PENSION ARRANGEMENTS

Leica Microsystems Cambridge Limited and Leica Microsystems UK Limited operates two pension schemes, a defined contribution and a defined benefit scheme.

Defined contribution scheme

The defined contribution scheme pension expense charged to the accounts for the year ended 31 December 2019 amounted to £454,312 (2018: £451,164). At the year-end a total of £63,986 was outstanding (2018: £65,280).

Defined benefit scheme

The scheme is closed to new entrants and closed to future accruals. The defined benefit scheme is funded by the payment of contributions to a separately administered trust fund.

The contributions to the Company's pension scheme are determined with the advice of an independent qualified actuary based on valuations carried out at least triennially. The most recent valuation was rolled forward to 31 December 2019, according to the International Accounting Standard 19 (IAS 19).

The last formal funding review valuation had an effective date of 31 March 2019. The funding position showed there was a surplus at that date.

Up to 31 December 2016 the rate of contributions was 24.2% of relevant earnings. These contributions ceased with effect from 1 January 2017 as no further benefits are accruing. The Company also directly meets the expenses of operating the Scheme (including the Pension Protection levy and any life assurance premiums).

16. PENSION ARRANGEMENTS (continued)

On 26 October 2019, the High Court ruled that pensions provided to members who had contracted-out of their scheme must be recalculated to ensure payments reflect the equalisation of normal retirement ages in the 1990s despite different payment ages continuing to apply under legislation in respect of Guaranteed Minimum Pensions. In line with industry practice the consulting actuary estimated the potential increase in obligations arising from applying this judgment to the Scheme and treated it as a Past Service Cost in 2018.

The information disclosed below is in respect of the whole of the plans for which the Company is the sponsoring employer.

	2019	2018
	£000	£000
Fair value of plan assets	111,816	99,665
Present value of defined benefit obligations	(94,014)	(86,684)
Net assets	17,802	12,981

Changes in the fair value of plan assets are analysed as follows:

	2019	2018
	£000	£000
As at 1 January	99,665	106,418
Expected return on assets	12,261	(6,602)
Actuarial gains	2,838	2,668
Employer contributions to the scheme	-	-
Employee contributions to the scheme	-	-
Distributions	(2,948)	(2,819)
As at 31 December	111,816	99,665

The actual return on scheme assets amounted to a gain of £ 15,099,310 for the year 2019 (2018: loss of £ 3,934,147).

Changes in the present value of the defined benefit obligations are analysed as follows:

	2019	2018
	£000	£000
As at 1 January	86,684	93,762
Current service cost	-	-
Past service cost	-	1,014
Interest cost	2,463	2,317
Employee contributions to the scheme	-	-
Actuarial losses/(gains)	7,815	(7,590)
Distributions	(2,948)	(2,819)
As at 31 December	94,014	86,684

16. PENSION ARRANGEMENTS (CONTINUED)

Analysis of the amount (credited)/charged to operating profit

	2019 £000	2018 £000
Current service cost	-	-
Past service cost	-	1,014
Interest on defined benefit pension plan obligations	(375)	(351)
Total operating (income)/expense	(375)	663

The total amount recognised in other comprehensive income in respect of actuarial gains and losses is a gain of £ 4,445,667 (2018: gain of £ 988,687).

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

	2019 £000	2018 £000
Equities	50,917	40,738
Diversified Growth Fund	-	-
Property	10,425	10,632
Conventional Gilts	12,639	10,668
Index Linked Gilts	15,948	13,847
Corporate Bonds	17,552	14,329
Cash	4,335	9,451
Total value of assets	111,816	99,665

Principal actuarial assumptions (expressed as weighted average) at the yearend were as follows:

	2019	2018
Discount rate	2.06%	2.89%
Salary increases	n/a	n/a
RPI inflation	2.90%	3.10%
CPI inflation	1.90%	2.10%
Pension increases (RPI max 5%)	2.90%	3.10%
Pension increases (RPI max 3%)	2.90%	3.00%

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.

16. PENSION ARRANGEMENTS (CONTINUED)

Sensitivity analysis

Based on the assumptions set out above, the impact on the present value of the defined benefit obligations of changing the following individual assumptions (with all other assumptions remaining unchanged) is set out below.

Value of obligation at the end of the year if:	2019	2018
	£000	£000
Discount rate is reduced by 0.50%	102,979	94,695
Discount rate is increased by 0.50%	86,167	79,653

The sensitivity of the defined benefit obligations to the discount rate has been calculated utilising the projected future benefit outflows from the Scheme that relate to members' past service as at 31 December 2019. Inflation is also a key assumption for the Scheme as it impacts on deferred revaluation and pension increase assumptions. However, the sensitivity of the defined benefit obligations to the inflation assumption will be less than that for the discount rate. How long members will live for is another key assumption. Again, the impact on the defined benefit obligations of an extra one year of life expectancy (or one year less) will be less than the shown impact for changes in the discount rate.

Asset matching strategies

The Trustees of the Scheme undertake asset liability matching studies on a regular basis and consult the Company regarding any changes to the Scheme's investments strategy. The matching assets to the pension obligations are considered to be long-term fixed interest/inflation linked securities. A significant proportion of the Scheme's assets are held in such securities and it would be expected that this proportion would increase over time as the Scheme matures.

Effect of the scheme on future cash flows

The last formal funding review valuation had an effective date of 31 March 2019. The funding position showed there was a surplus at 31 March 2019. The Company made contributions in respect of new accrual; but these contributions ceased with effect from 1 January 2017 as no further benefits are accruing. The Company also directly meets the expenses of operating the Scheme (including the Pension Protection levy). The next formal funding review valuation is due with an effective date of 31 March 2022.

	2019	2018
Employer's best estimate of contribution to be paid the following year	£nil	£nil
Duration of liabilities	18 years	17.5 years

	2019
Expected future benefit payments	£000
2020	2,728
2021	2,696
2022	2,789
2023	2,903
2024	2,995
2025 - 2029	16,968

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Launchchange Operations Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party is Danaher Corporation, a company incorporated in the USA.

The largest and smallest group in which the results of the Company are consolidated is Danaher Corporation, a company incorporated in the USA. The consolidated financial statements of this group are available to the public and may be obtained from 2200 Pennsylvania Avenue, Suite 800 West, Washington DC 20037, USA.

18. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption in FRS 101, para 3c not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.

19. EVENTS SINCE THE BALANCE SHEET DATE

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This is considered a non-adjusting post-balance sheet event and the impact of COVID-19, such as any impairment considerations, will be reported in the 2020 financial statements.

Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2020 full year impact cannot yet be known but the directors are confident that they have put in place measures to ensure the impact is mitigated as much as possible, with protection of staff, continuity of supply chain, continued service delivery to customers and ongoing productivity is maintained.

The circumstances of COVID-19 currently assessed as significant to the Company are:

- People: employees are widely making use of home office work solutions and online meetings to avoid business travel and so can provide their service to the company with minimised risk
- Health & safety: all measures as recommended on social distancing, wearing of masks and gloves etc. are implemented, overall development of the situation is monitored closely and followed up
- Supply Chain: the supply of finished products and spare parts of the company is mainly secured from intercompany manufacturers of the Leica Microsystems and Leica Biosystems Groups and here no shortages or delivery issues have been noted so far. The same applies for purchases of indirect spend for which no impact from COVID-19 has been experienced
- Demand: the request for products and after sales services of the company from its customers is basically stable with only a slight reduction in the first half year of 2020. Some of this reduction is expected to be recovered in the second half year, with no significant impact of COVID-19 expected in the foreseeable future