Company Registration No. 00476611

LEICA MICROSYSTEMS (UK) LIMITED

Report and Financial Statements

31 December 2022

LEICA MICROSYSTEMS (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS 2022

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LEICA MICROSYSTEMS (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS 2022

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr D L Edwards
Mr M Limberger (resigned 31 August 2022)
Mr P D Newell
Mr D R Stell (appointed 21 June 2023)

REGISTERED OFFICE

19 Jessops Riverside,
800 Brightside Lane,
Sheffield
S9 2RX

BANKERS

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

AUDITORS

Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

LEICA MICROSYSTEMS (UK) LIMITED

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	2022	2021	Change
	£000	£000	%
Turnover	80,002	72,110	11
Operating profit/(loss)	5,413	3,043	78
Orders received	83,546	76,941	9
Year-end overdue debt	4,267	2,935	45
Year-end inventory	1,700	1,058	61

The year-end overdue debtors increased by £1.3m but the large majority (59%) of the total overdue are less than 30 days only.

The directors are pleased with the growth in revenue and profit during the year, driven by increased research and health spending across the customer base.

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 expected to show continued organic growth in the long run. In the 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 marketplace. 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 undertakes 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 sufficient 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 satisfying 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.

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

Throughout the year 2022 and even more, since the balance sheet date the COVID-19 pandemic has become less and less present with a significant reduction in the number of contaminations and severity of the diseases for those infected. Its impact on the worldwide economy has progressively sunk to have now almost no direct influence on business activities. On the other hand, some effects of the COVID-19 pandemic are still visible, although in milder forms, especially as far as the global supply chain and production capacity are concerned.

Risks stemming from the UK's departure from membership of the EU

The United Kingdom ceased to be a member state of the EU on January 31, 2020 (commonly referred to as "Brexit"). In December 2020, the UK and the EU agreed on a trade and cooperation agreement that applies provisionally until it is ratified by the parties to the agreement. The impact to date has been limited. Nevertheless, the ultimate impact of Brexit on the Company's financial results in future periods is uncertain.

Conflict in Ukraine

The beginning of the Ukraine conflict in February 2022 marked a decisive event for the global economy. As a result of this event, there were serious reactions on the global commodity and capital markets in a short time frame with manifold effects on market participants, and the great global uncertainty from this continues.

Therefore, at the time of preparation of these annual financial statements, there is a risk that the latest developments in the Russia-Ukraine conflict could have a negative impact on the Company's business activities. It is currently not possible to estimate with sufficient certainty to what extent a further escalation of the Russia-Ukraine conflict could potentially have a negative impact on the revenues of the company from indirect impacts of the conflict on customers buying decisions in 2023 and into 2024. It is recognized that negative effects could also result from supply shortages leading to increased delivery times and higher purchasing prices at different levels of the supply chain. Currently, the tangible effects deriving from these potential threats cannot be predicted with a proper level of certainty, however it is noted that the Company does not own subsidiaries or trade in Russia or Ukraine and does not maintain any direct business relationships with either customers or suppliers that do so. Further, the directors have put in place mitigating actions to manage the risk that the conflict poses along with the inflationary pressures caused by the global macroeconomic environment and have not assumed a significant impact at this time in relation to the Company's earnings, financial position and assets over the going concern assessment period, within their forecasts.

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.

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.

STRATEGIC REPORT

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).

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.

STRATEGIC REPORT

Principal decisions

There were no principal decisions made by the Board during the year warranting separate disclosure. The company continues to invest in new products but there were no significant new market introductions in the year, no investments or impairments were initiated, and the directors concluded that no dividends would be paid to shareholders in the year.

On behalf of the Board

DocuSigned by:

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D L Edwards

Director

Date: 15 September 2023

LEICA MICROSYSTEMS (UK) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2022.

RESULTS AND DIVIDENDS

The gain for the year after taxation is £6,747,281(2021 gain £3,665,292). Dividends in the amount of £3,000,000 were paid during the year (2021 - £nil).

DIRECTORS, COMPANY SECRETARY AND THEIR INTERESTS:

The directors who served during the year were as follows:

Mr D L Edwards

Mr M Limberger (resigned 31 August 2022)

Mr P D Newell

Mr D R Stell (appointed 21 June 2023)

GOING CONCERN

The company is an important distributor for microscopes and scientific instruments for the analysis of microstructures as well as for workflow solutions and automation from biopsy to diagnosis. For the fiscal year 2022 the customers of the company in the markets of life science, research, surgical applications, material science, pathology and routine laboratories did face minor negative implications on their business activities but the sales did increase significantly in 2022 compared to 2021 given the return to normal activity.

For the supply of products, the company is mainly interacting with manufacturers from the Leica Microsystems and Leica Biosystems Group and to date there have not been any shortages of supply. The intercompany manufacturers have been able to secure a steady supply chain and at the moment no issues in this regard are expected or foreseen.

The directors have considered the impact of current economic and political climate on the operations of the business as discussed previously under COVID 19, Brexit and Conflict in Ukraine sections of the Strategic Report. Overall, these have had a minimal impact on the sales and supply chain.

The company is part of the Danaher UK group cash pool arrangement, embodying that 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 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 forecast over the period to 31 December 2024 (the going concern 'assessment period'). Whilst not forecast to be required, 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 has access to sufficient operating funds as necessary.

After making due enquiries and considering the impact of the geopolitical environment, inflationary pressures and the access to funds, potential downside scenarios, cross guarantees with fellow members of the UK Group cash pool, and strength of the ultimate parent undertaking, Danaher Corporation, the directors have a reasonable expectation that the Company has adequate resources to continue in operation during the forecast period to 31 December 2024. These considerations included the impact of the geopolitical environment and inflationary pressures on the company, as well as the wider UK and Danaher Corporation group. Accordingly, the financial statements have been prepared on the going concern basis.

DIRECTORS' REPORT

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

In compliance with UK reporting requirements (streamlined energy and carbon reporting) the directors provide the Company's UK energy and greenhouse (GHG) emissions data in the table below.

Emissions data in respect of the 2022 reporting period was as follows

	2022	2021
Emission **Type**	**CO2e tonnes**	**CO2e tonnes**
Scope1: Operation of facilities	7.9	5.3
Scope 2: Purchase Energy (UK)	-	-
Total Emissions	**7.9**	**5.3**

The company uses electricity for lighting, heating and cooling, and there is no gas connection on the premises. The increase in kWh consumption is due to the fact that employees were still working from home for most of 2021 and switched to the hybrid working system in 2022, which brought consumption back to normal levels.

Scope and Methodology:

Our methodology has been based on the principles of the Greenhouse Gas Protocol, taking account of the 2015 amendment which set out a 'dual reporting' methodology for the reporting of Scope 2 emissions. We have reported on all the measured emissions sources required under The Companies Act 2006 (Strategic Report and Directors Report Regulations 2013), except where stated.

Conversion factors for UK electricity, gas and other emissions are those published by the Department for Energy Security & Net Zero strategy 2022.

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.

LEICA MICROSYSTEMS (UK) LIMITED

DIRECTORS' REPORT

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

DocuSigned by:

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D L Edwards

Director

Date: 15 September 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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 international accounting standards in conformity with the requirements of the Companies Act 2006, 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 group and the company and of the profit or loss of the group and the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs and in respect of the parent company financial statements FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- in respect of the financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and FRS 101, 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 appropriate to presume that the company and/ or the group will not 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 company's financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

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 2022 which comprise the Income Statement, Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18, 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 (United Kingdom Generally Accepted Accounting Practice)".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 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. 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern up to 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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 LEICA MICROSYSTEMS (UK) LIMITED

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 contained within the annual report.

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.

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 course of 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 themselves. 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, 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.

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

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006, and United Kingdom direct and indirect tax regulations. In addition, the company must comply with operational and employment laws and regulations including health and safety regulations, environmental regulations, Competition Law, anti-bribery and corruption regulations and General Data Protection Requirements.
- We understood how the company is complying with those frameworks by holding enquiries with management and those charged with governance. We understood the potential incentive and ability to override controls, and employee access to guidance of how to report any instances on non-compliance. We understood any controls put in place by wider group management to reduce the opportunities for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by obtaining and reading group policies and holding enquiries of management and those charged with governance. Through these procedures we considered the risk of management override in relation to revenue recognition as the key area of focus. We addressed this risk through sample testing of revenue recognized in the year to underlying contracts and other supporting documentation, ensuring such revenue was recognized in accordance with the satisfaction of performance obligations in line with the operating companies revenue recognition policy and UK Generally Accepted Accounting Practice. We have also used data analytics and obtained the entire population of journals for the year, and identified specific transactions for further investigation based on certain criteria. We understood the transactions identified for testing and agreed them to source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
  - Enquiry of management and those charged with governance as to any fraud identified or suspected in the period, any actual or potential litigation or claims or breaches of significant laws or regulations applicable to the company;
  - Auditing the risk of management override of controls, through testing of a sample of journal entries and other adjustments for appropriateness;
  - Enquiry of management, coupled with testing of journal entries, in order to identify and understand any significant transactions outside of the normal course of business;
  - Challenging the judgements made by management through corroborating the basis for those judgments and considering contradicting evidence; and
  - Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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, United Kingdom

Date: 15 September 2023

LEICA MICROSYSTEMS (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Note	2022 £000	2021 £000
TURNOVER	3	80,002	72,110
Cost of sales		(53,450)	(51,371)
GROSS PROFIT		26,552	20,739
Operating expenses		(21,139)	(17,696)
OPERATING PROFIT	4	5,413	3,043
Interest receivable and similar income	6	3,183	1,881
Interest payable and similar charges	7	(1,815)	(1,522)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,781	3,402
Tax credit/(charge) on profit on ordinary activities	8	(34)	263
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		6,747	3,665
Actuarial gain/(loss) related to pension scheme	16	(11,719)	18,998
Deferred tax relating on defined pension asset	8	2,928	(5,119)
OTHER COMPREHENSIVE INCOME/(LOSS)		(8,791)	13,879
TOTAL COMPREHENSIVE INCOME/(LOSS)		(2,044)	17,544

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 2022

	Note	2022 £000	2021 £000
FIXED ASSETS			
Tangible assets	9	3,230	3,935
Right-of-use assets	13	162	479
		3,392	4,414
CURRENT ASSETS			
Stock	10	1,700	1,058
Debtors			
- due within one year	11	16,640	12,513
- due after more than one year	11	20,579	19,422
Cash at bank and in hand		15,607	16,550
		54,526	49,543
CREDITORS: amounts falling due within one year	12	(22,507)	(23,190)
NET CURRENT ASSETS		32,019	26,353
TOTAL ASSETS LESS CURRENT LIABILITIES		35,411	30,767
DEFINED BENEFIT PENSION SCHEME ASSET	16	13,389	25,195
CREDITORS: amounts falling due after more than one year	12	(2,742)	(1,964)
PROVISION FOR LIABILITIES AND CHARGES	14	(150)	(150)
DEFERRED TAX LIABILITY	8	(1,901)	(4,797)
NET ASSETS		44,007	49,051
CAPITAL AND RESERVES			
Called up share capital	15	11,725	11,725
Profit and loss account		32,282	37,326
TOTAL SHAREHOLDERS' FUNDS		44,007	49,051

These financial statements were approved by the Board of Directors on 15 September 2023.

Signed on behalf of the Board of Directors

DocuSigned by:

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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 2022

	Called-up share capital £000	Profit and loss account £000	Total Shareholders funds £000
At 1 January 2021	11,725	19,778	31,503
Profit for the year	-	3,665	3,665
Other comprehensive income	-	13,883	13,883
At 31 December 2021	11,725	37,326	49,051
Profit for the year	-	6,747	6,747
Dividends	-	(3,000)	(3,000)
Other comprehensive loss	-	(8,791)	(8,791)
At 31 December 2022	11,725	32,282	44,007

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

Notes to the Accounts
Year ended 31 December 2022

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 2022 were authorised for issue by the board of directors on 15 September 2023 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 2022.

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.

2. ACCOUNTING POLICIES (Continued)

2.2 Going concern

As indicated in the Directors report, after making due enquiries and considering the impact of the geopolitical environment, inflationary pressures and the access to funds, potential downside scenarios, cross guarantees with fellow members of the UK Group cash pool, and strength of the ultimate parent undertaking, Danaher Corporation, the directors have a reasonable expectation that the Company has adequate resources to continue in operation during the forecast period to 31 December 2024. These considerations included the impact of the geopolitical environment and inflationary pressures on the company, as well as the wider UK and Danaher Corporation group. Accordingly, the financial statements have been prepared on the going concern basis.

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 – Company as a Lessee

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.

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

2. ACCOUNTING POLICIES (Continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible fixed assets (Continued)

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.2.

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.

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.

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.

2. ACCOUNTING POLICIES (Continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases where the company is lessee (Continued)

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

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

Defined contribution scheme

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.

The defined contribution scheme pension expense charged to the accounts for the year ended 31 December 2022 amounted to £495,361 (2021: £446,788). At the year-end a total of £77,295 was outstanding (2021: £74,669).

Defined benefit scheme

The Company operates a defined benefit pension plan (DBS), which requires contributions to be made to a separately administered fund. The scheme was closed to new members in January 2003 from which time membership of a defined contribution plan (DCS) is available.

Following a review of the five Danaher Group defined benefit schemes in the UK, operated through five different Danaher UK subsidiaries, it was concluded that merging them into one single larger scheme would provide cost and efficiency advantages for the individual entities and the group plus bring benefits to scheme members through the use of direct member access to information about their benefits, and a greater financial guarantee to support the scheme. The five schemes were:

- The Beckman Coulter Pension Plan
- The Jacobs Manufacturing Company Limited Retirement Benefits Scheme
- The Leica Pension Scheme
- The Pall (UK) Pension Fund
- The Willett International Limited Pension and Death Benefits Plan

Accordingly, on 31 January 2021 the five schemes merged into a single scheme named the 'DH UK Pension Scheme'. The merged scheme has two sections:

- PLJ Section – made up of the membership of the previous Pall, Leica and Jacobs schemes; and
- BW Section – made up of the membership of the previous Beckman Coulter and Willett schemes.

The Company then recognises its share of the BW section assets and liabilities which have been apportioned on the advice of the Company's actuarial adviser.

The scheme was closed to future accruals from 1 January 2017. The defined benefit scheme is funded by the payment of contributions to a separately administered trust fund. Actuarial valuations on a going concern basis are carried out at least every three years.

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 2022, according to the International Accounting Standard 19 (IAS 19).

The last formal funding review valuation had an effective date of 31 March 2021. The funding position showed there was a surplus at that date and therefore no recovery plan was required to be put in place. With effect from 1 March 2022, all scheme expenses (including the Pension Protection Levy) will be met from the scheme. The next formal funding review valuation is due with an effective date of 31 March 2024.

2. ACCOUNTING POLICIES (Continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Defined benefit scheme (Continued)

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.

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.

2. ACCOUNTING POLICIES (Continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The company applies IFRS 9 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.

2. ACCOUNTING POLICIES (Continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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

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.

3. TURNOVER AND SEGMENTAL INFORMATION

	2022 £000	2021 £000
Sales of goods	65,533	58,260
Rendering of services	14,469	13,850
	80,002	72,110

	2022 £000	2021 £000
Turnover by destination		
United Kingdom & Channel Islands	69,346	61,649
Rest of World	10,656	10,461
	80,002	72,110

4. OPERATING PROFIT/(LOSS)

Operating profit is stated after charging:

	2022 £000	2021 £000
Depreciation of tangible fixed assets (note 9)	1,730	1,912
Depreciation of right of use assets (note 13)	154	183
Auditors' remuneration – audit	41	40
Exchange differences	198	326

5. STAFF COSTS

(a) Staff costs

	2022 £000	2021 £000
Staff costs during the year:		
Wages and salaries	8,407	6,988
Social security costs	1,390	1,199
Employee bonuses and commissions	1,780	1,790
Defined contribution (note 16)	548	495
Defined benefit expense (note 16)	542	39
Other employee costs	305	238
	12,972	10,749

Notes to the Accounts
Year ended 31 December 2022

5. STAFF COSTS (continued)

	2022 No.	2021 No.
Average numbers of persons employed		
Marketing, selling and technical service	153	153
General and administration	8	8
	161	161

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

	2022 £000	2021 £000
Aggregate emoluments in respect of qualifying services	105	113

	2022 No.	2021 No.
Number of directors who received shares in respect of qualifying services	1	1
Number of directors who exercised share options	-	-
Number of directors accruing benefits under defined benefit schemes	-	-

	2022 £000	2021 £000
In respect of the highest paid director:		
Aggregate remuneration	105	113
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 Limberger). Accordingly, these financial statements include no emoluments in respect of these directors (2021: £nil).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 £000	2021 £000
Bank interest receivable	239	65
Third party interest receivable	2,469	1,605
Intercompany interest receivable	475	211
	3,183	1,881

Notes to the Accounts
Year ended 31 December 2022

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2022 £000	2021 £000
Operating lease interest payable (note 1.3)	(3)	(3)
Third party interest payable	(1,812)	(1,518)
	(1,815)	(1,521)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2022 £000	2021 £000
Current tax		
UK corporation tax	-	-
	-	-
Deferred tax		
Charge to the profit and loss account		
- Defined benefit pension scheme	(22)	12
- In respect of all other assets and liabilities	56	(275)
Adjustment in respect of prior years	-	-
	34	(263)
Tax credit/ (charge) on profit on ordinary activities	**34**	**(263)**

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2021: 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.

	2022 £000	2021 £000
Profit before tax	6,781	3,402
Tax on profit on ordinary activities at standard UK corporation tax rate of 19 % (2021: 19%)	1,288	646
Effects of:		
(Income)/expenses not (taxable) deductible	(47)	(8)
Difference tax rates	8	(357)
Group relief not paid for	(1,215)	(544)
Tax credit/(charge) on profit on ordinary activities	34	(263)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The amounts provided for deferred taxation are set out below:

	2022 £000	2021 £000
Fixed asset temporary differences	1,376	1,426
Short term timing differences	68	76
Defined benefit pension	(3,347)	(6,299)
At 31 December	(1,903)	(4,797)

	2022 £000	2021 £000
Deferred tax liability as at 1 January	(4,797)	59
(Charge)/ credit to the income statement	(34)	263
Adjustment in respect of prior years	-	-
(Charge)/ credit to other comprehensive income	2,928	(5,119)
Deferred tax liability as at 31 December	(1,903)	(4,797)

The amount of deferred tax not recognised at 31 December 2022 was £ nil (2021: £ nil).

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). The Spring budget 2021 was substantively enacted on 24 May 2021. 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 taxes at the balance sheet date have been measured using the enacted tax rate of 25% and reflected in these financial statements.

Notes to the Accounts
Year ended 31 December 2022

9. TANGIBLE FIXED ASSETS

	Leasehold improve-ments	Leased equipment	Fixtures, fittings, plant & machinery	IT Hardware	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2022	624	14,164	26	121	14,935
Additions	-	1,672	-	43	1,715
Disposals	(300)	(2,229)	-	-	(2,529)
At 31 December 2022	324	13,608	26	163	14,121
Depreciation					
At 1 January 2022	624	10,252	20	104	11,000
Charge for the year	-	1,676	2	52	1,730
Disposals	(300)	(1,539)	-	-	(1,839)
At 31 December 2022	324	10,389	22	156	10,891
Net book value					
At 31 December 2022	-	3,219	4	7	3,230
At 1 January 2022	-	3,912	6	17	3,935

10. STOCK

	2022	2021
	£000	£000
Raw materials and consumables	242	220
Finished goods and goods for resale	1,407	838
	1,649	1,058

The difference between purchase price or production cost of stocks and their replacement cost is not material. During the year £45,204,000 (2021: £40,906,000) of inventories have been recognised as an expense within cost of goods sold.

11. DEBTORS

Amounts falling due within one year	2022	2021
	£000	£000
Trade debtors	14,350	11,186
Amounts owed by other group undertakings	1,278	957
Other debtors	561	100
Prepayments and accrued income	451	270
	16,640	12,513

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

Notes to the Accounts
Year ended 31 December 2022

11. DEBTORS (continued)

Amounts falling due after more than one year	2022 £000	2021 £000
Amounts owed by other group undertakings	19,897	19,422
	19,897	19,422

On 1 July 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

Amounts falling due within one year:

	2022 £000	2021 £000
Trade creditors	1,023	766
Other creditors	20	12
Amounts owed to other group undertakings	11,605	14,576
Other taxation and social security	920	440
Accruals and deferred income	8,788	7,200
Lease liability (note 13)	151	196
	22,507	23,190

Amounts falling due after one year

	2022 £000	2021 £000
Deferred income	2,736	1,681
Lease liability (note 13)	6	283
Total creditors: amounts falling due after one year	2,742	1,964

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 (2021: 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.

Notes to the Accounts
Year ended 31 December 2022

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 £000	Equipment £000	Total £000
Cost			
At 1 January 2022	866	527	1,393
Additions	-	64	64
Disposals / Corrections	(177)	-	(177)
At 31 December 2022	689	591	1,280
Depreciation			
At 1 January 2022	404	510	914
Additions	136	18	154
Disposals / Corrections	4	46	50
At 31 December 2022	544	574	1,118
Net book value			
At 31 December 2022	145	17	162
At 31 December 2021	462	17	479

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 2022	479
Additions / Corrections	(113)
Interest charged (Note 7)	3
Lease payments	(212)
At 31 December 2022	157
Of which:	
Amounts falling due within one year	151
Amounts falling due beyond one year	6

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:

	2022 £000	2021 £000
Operating lease commitment		
- within one year	1,534	2,216
- between two and five years	1,685	1,246
- over 5 years	-	-
	3,219	3,462

14. PROVISION FOR LIABILITIES AND CHARGES

	Property provisions £000
At 1 January 2022	150
Release of provision	-
At 31 December 2022	150

The remaining £150,000 is the dilapidation provision for the current office space occupied by the company. It is not expected to be utilised in the coming year.

15. CALLED UP SHARE CAPITAL

	2022 £000	2021 £000
Called up, allotted and fully paid		
11,725,497 ordinary shares of £1 each (2021: 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 2022 amounted to £495,361 (2021: £446,788). At the year-end a total of £77,295 was outstanding (2021: £74,669).

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 2022, according to the International Accounting Standard 19 (IAS 19).

The last formal funding review valuation had an effective date of 31 March 2021. The funding position showed there was a surplus at that date and no contributions are currently made.

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

	2022 £000	2021 £000
Fair value of plan assets	76,400	126,732
Present value of defined benefit obligations	(63,012)	(101,537)
Net assets	13,388	25,195

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

	2022 £000	2021 £000
As at 1 January	126,732	116,001
Expected return on assets	(48,135)	13,543
Interest income	2,266	1,605
Administration expenses	(541)	(39)
Distributions	(3,922)	(4,377)
As at 31 December	76,400	126,732

Notes to the Accounts
Year ended 31 December 2022

16. PENSION ARRANGEMENTS (CONTINUED)

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

	2022	2021
	£000	£000
As at 1 January	101,537	109,851
Past service cost	-	-
Interest cost	1,813	1,518
Experience (gains) / losses	3,398	(1,391)
Actuarial (gains) / losses	(39,814)	(4,064)
Distributions	(3,922)	(4,377)
As at 31 December	63,012	101,537

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

	2022	2021
	£000	£000
Past service cost	-	-
Administration expenses	541	39
Interest on defined benefit pension plan obligations	(454)	(86)
Total operating (income)/expense	(87)	(47)

The total amount recognised in other comprehensive income in respect of actuarial gains and losses is a loss of £11,718,693 (2021: gain of £18,998,370).

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

	2022	2021
	£000	£000
Property	2,319	9,898
Equities	-	26,239
Diversified Growth	8,404	11,248
Buy & Maintain Credit	26,143	23,177
Multi-Asset Credit	624	5,857
Alternatives	202	12,323
LDI	22,504	36,001
Corporate Bonds	13,697	-
Trustee bank account cash	2,507	1,989
Total value of assets	76,400	126,732

LEICA MICROSYSTEMS (UK) LIMITED

Notes to the Accounts
Year ended 31 December 2022

16. PENSION ARRANGEMENTS (CONTINUED)

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

	2022	2021
Discount rate	5.01%	1.82%
Salary increases	n/a	n/a
RPI inflation	3.20%	3.40%
CPI inflation	2.30%	2.50%
Pension increases (RPI max 5%)	3.20%	3.40%
Pension increases (RPI max 3%)	3.00%	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.

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:	2022 £000	2021 £000
Discount rate is reduced by 0.50% p.a.	67,110	110,451
Discount rate is increased by 0.50% p.a.	59,303	93,669
Inflation rate is increased by 0.50%* p.a.	65,544	-
Inflation rate is reduced by 0.50%* p.a.	60,373	-

* This sensitivity allows for the impact on all inflation related assumptions (deferred revaluation and pension increases (subject to the relevant caps and floors))

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 2022. 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.

16. PENSION ARRANGEMENTS (CONTINUED)

Effect of the scheme on future cash flows
The last formal funding review valuation had an effective date of 31 March 2021. The funding position showed there was a surplus at 31 March 2021. 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.

	2022	2021
Employer's best estimate of contribution to be paid the following year	£nil	£nil
Average duration of liabilities	13 years	17 years

	2022
Expected future benefit payments	£000
2023	3,009
Q	3,105
2025	3,204
2026	3,307
2027	3,413
2028 - 2032	18,773

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.