

Registered number: 03053545

Carl Zeiss Microscopy Limited

Annual Report and financial statements

for the year ended 30 September 2022

MONDAY



ABXQJTPC

A05

20/02/2023

#125

COMPANIES HOUSE

CARL ZEISS MICROSCOPY LIMITED

Company information

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

CARL ZEISS MICROSCOPY LIMITED

CONTENTS

	Page(s)
Strategic report	1 - 3
Directors' report	4 - 7
Independent auditor's report	8 - 11
Profit and loss account	12
Statement of comprehensive income	13
Balance sheet	14
Statement of changes in equity	15
Notes to the financial statements	16 - 45

CARL ZEISS MICROSCOPY LIMITED

Strategic Report for the year ended 30 September 2022

The directors present their strategic report of the company for the year ended 30 September 2022.

Business review

The principal activity of the company is the manufacturer and sale of electron microscopes and related components and accessories. The company's principal business is as a contract manufacturer for its parent company.

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

During the year, the company has taken pro-active steps to minimise the impact of the COVID-19 pandemic and business disruption caused by the global supply chain challenges. The impact of these challenges was minimised with an effective risk management approach and resulting mitigation measures. The impact of the war in Ukraine on the company's supply chain has been minimal: there were some minor effects in lower tiers of the supply chain, which were quickly resolved, and the trade sanctions against Russia had a non-material effect on the business. The company condemns the military action by the Russian government as a violation of international law and a non-democratic act.

The company has a global customer base and diverse application areas, from which the order intake and revenue are considered satisfactory, given the underlying market conditions caused by the pandemic and global economic challenges. The directors pay tribute to the company's staff and its business partners that have shown resilience and flexibility during this period of volatility, uncertainty, complexity, and ambiguity.

Principal risks and uncertainties

Competitive pressure in major markets from international companies is an on-going risk for the company. Product performance, price pressure and delivery times can be significant factors in some markets and the company manages these risks by introducing product updates and innovations, continuously improving its lean manufacturing processes, and reducing its cost base. This cost base relies on good supply chain management and building partnerships with key strategic suppliers, including material logistics.

On-going supply chain risks (rising costs, and shortages of some specialist metals, electrical and electronics components) caused by the COVID-19 pandemic are causing some uncertainty in the business outlook with resulting risks to the company on planned revenues and profitability. Nevertheless, the company's underlying financial position remains sound and the company's strategic and operational supply chain management teams continue to closely monitor the risks and take appropriate mitigation actions.

The company's principal business is export and the UK's trading relationships with its global markets is of particular importance. The approach to minimise bureaucracy and 'red tape' for smoother international trade is supported by the company.

CARL ZEISS MICROSCOPY LIMITED

Strategic Report (continued)
for the year ended 30 September 2022

Financial risk management:

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

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

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

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

Financial Key Performance Indicators:

	2022	2021
Revenue (k GBP)	66,662	59,958
EBIT (k GBP)	4,690	7,766
EBIT in revenue (%)	7.0	13.0
Stocks in revenue (%)	47.9	43.3
Headcount (monthly average)	139	123

The directors consider the key performance indicators (KPIs) of the company to be revenue, earnings before interest (inclusive of finance cost) and tax (EBIT), EBIT in revenue (profitability), stocks in revenue and headcount. The directors regularly monitor these against budget and prior year. The board considers this year's profitability to be an excellent result in the light of supply chain constraints, material cost increase and overall inflation development.

Section 172(1) Statement

The board is proud to be a subsidiary company in the ZEISS Group, which recognises that business success is directly linked to corporate responsibility. The company Carl Zeiss was founded in 1846 on the principles of the promotion of science and research, and the economic safeguarding of ZEISS and responsibility for employees - this culture underpins the ZEISS Code of Conduct and describes how the board conducts its business and decision-making.

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

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

CARL ZEISS MICROSCOPY LIMITED

Strategic Report (continued)
for the year ended 30 September 2022

Stakeholder engagement

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

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

During the business year, the directors took the decision to further increase capacity and capability in production and in software development, reflecting both the Group's continued confidence in the company and the expected business growth. Various internal and external stakeholders were engaged in this decision, to ensure that customer requirements were incorporated into planning, that necessary skills and resources would be available, and that the infrastructure requirements could be achieved. Where appropriate, agile ways of working have been developed to provide a modern and flexible workplace to attract and retain skills and talent in the business. The approach was developed with representation from employees and other stakeholders, giving a diversity of opinion to ensure that safe working practices, processes, infrastructure, equipment and IT technology could be adapted accordingly for different types of workspaces. The directors consider these flexible ways of team working and collaborating to be important for the ongoing success of the company.

For all decisions taken there has been close alignment and cooperation with key stakeholders by e.g. liaising early in the process, establishing approval routines or preparing effective communication concepts.

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

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

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

To support business stability and growth, the directors and the company elicit external perspectives with professional development, membership of trade organisations and professional bodies, and engaging with relevant key opinion leaders.

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

This report was approved by the board on 20th December 2022 and signed on its behalf by:



D Aldridge
Director

CARL ZEISS MICROSCOPY LIMITED

Directors' report for the year ended 30 September 2022

The directors present their report and the audited financial statements of the company for the year ended 30 September 2022.

Business review

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

Results and dividends

The profit for the year, after taxation, amounted to 4,464k GBP (2021: 6,504k GBP).

During the year, the directors paid an interim dividend of 2,900k GBP (2021: 4,500k GBP).

The directors do not recommend payment of a final dividend (2021: nil).

Subsequent to the year end, the directors recommend the payment of an interim dividend of 4,500k GBP.

Going concern

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

The company has prepared a cash flow forecast for the period to 31 December 2023, being the going concern review period. The forecast along with the financial support of the company's parent undertaking demonstrate that the company has sufficient resources to enable the company to meet its liabilities as they fall during the review period.

The company's parent undertaking (Carl Zeiss AG) has confirmed that it will provide such financial support as necessary to enable the company to meet its liabilities for the period to 31 December 2023. As set out in note 26, the smallest and largest group in which the results of the company are consolidated is that headed by Carl Zeiss AG. The directors have a reasonable expectation that the Carl Zeiss group has adequate resources and liquidity to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Future developments

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

Research and development activities

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

CARL ZEISS MICROSCOPY LIMITED

Directors' Report (continued) for the year ended 30 September 2022

Streamlined energy and carbon reporting statement

2022

Utility and scope	2021/22 (MWh)	Consumption	Conversion factor	2021/22 Consumption (Tonnes of CO ₂ e)
Grid-supplied electricity (scope 2)	Coal	40.82	0.32	13.06
	Natural gas	497.81	0.18	89.61
	Nuclear	62.88	0	0.00
	Renewable	286.36	0	0.00
	Other	40.14	0.19338	7.76
Gaseous (scope 1)		1526.06	0.18	274.69
Transportation (scope 1)				9.90
Total				395.02

2021

Utility and scope	2021/22 (MWh)	Consumption	Conversion factor	2020/21 Consumption (Tonnes of CO ₂ e)
Grid-supplied electricity (scope 2)	Coal	39.53	0.31112	12.30
	Natural gas	449.04	0.18396	82.61
	Nuclear	50.6	0	0.00
	Renewable	218.99	0	0.00
	Other	32.41	0.28307	9.18
Gaseous (scope 1)		985.89	0.18396	181.36
Transportation (scope 1)				3.20
Total				288.65

Intensity Ratio: Tonnes of CO₂e per total £m sales revenue = 5.92

Intensity Ratio 2020/21: Tonnes of CO₂e per total £m sales revenue = 4.81

The emissions and energy data noted above has been calculated using the methodology set out in the '2018 government GHG conversion factors for company reporting: methodology paper for emission factors' published by the Department for Business, Energy & Industrial Strategy.

The company's sustainability initiatives are within the overall framework of the Carl Zeiss Group Sustainability programme, details of which are available on the group's website. During the year, the company has implemented the following carbon reduction initiatives:

- Improvements to the Heating, Ventilation and Air-conditioning (HVAC) system
- Development of an energy-saving mode in the production facility, which is calculated to reduce electricity consumption by 10% per year. It is planned to start implementation of this in the FY22/23 period.

During the year, the company invested in provision of electric vehicle charging points for business and employee use. While this will increase the company's electricity consumption, the need to support the shift to EVs is clearly defined in the UK Government's 'Transitioning to zero emission cars and vans: 2035 delivery plan'.

The company is engaging with external partners to further develop its mid-term plans in transitioning to a net zero business.

CARL ZEISS MICROSCOPY LIMITED

Directors' Report (continued) for the year ended 30 September 2022

Directors

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

P Adderley
M Albiez
D Aldridge
A McBride

Directors' responsibilities statement

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

Company law requires the directors to prepare audited financial statements of the company for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these audited financial statements of the company, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the audited financial statements of the company on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the audited financial statements of the company comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Qualifying third party indemnity provisions

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

CARL ZEISS MICROSCOPY LIMITED

**Directors' Report (continued)
for the year ended 30 September 2022**

Disclosure of information to auditor

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

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

Post balance sheet events

Subsequent to the year end, the directors recommended the payment of an interim dividend of 4,500k GBP.

Auditors

PricewaterhouseCoopers LLP, will be proposed for appointment as the company's auditor for the year ending 30 September 2023.

This report was approved by the board on 20th December 2022 and signed on its behalf.



**D Aldridge
Director**

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

Qualified opinion

We have audited the financial statements of Carl Zeiss Microscopy Limited for the year ended 30 September 2022, which comprise the Profit and loss account, the Statement of comprehensive income, the Balance Sheet, the Statement of Changes in equity and the related notes 1 to 26, 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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including FRS 101 "Reduced Disclosure Framework", and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

In the year ended 30 September 2021, the company accounted for a building lease agreement in full rather than accounting for two thirds of the lease (due to a third of the lease being held by another group undertaking). The right of use assets and associated lease liabilities are both overstated by £2.412m at 30 September 2021. The error has been corrected as a movement in each account in the current year in note 14, rather than as a prior year adjustment. Our audit opinion on the financial statements for the year ended 30 September 2022 is modified accordingly.

In addition, as a result of a legal review of the company's defined benefit pension scheme (the "Scheme"), a number of prior year errors relating to the calculation of benefits were identified along with a Scheme drafting error, impacting the resulting liabilities and net liability of the Scheme as at 30 September 2020 and previously. At 30 September 2020, the net pension liability was understated by £6.431m (and the associated deferred tax asset understated by £1.221m). The adjustments necessary to correct these balances were posted in Other Comprehensive Income for the year ended 30 September 2021 rather than through opening reserves as at 30 September 2020 and hence the Statement of Comprehensive income for the year ended 30 September 2021 incorrectly showed an actuarial loss of £1.432m, rather than an actuarial gain of £4.999m. Our audit opinion on the financial statements for the year ended 30 September 2021 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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 qualified 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 for the period to 31 December 2023.

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

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.

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.

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 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 6, 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

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

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.

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, Companies Act 2006, direct and indirect tax compliance regulations. In addition, the company has to comply with health and safety regulations, employment laws, data protection and anti-bribery and corruption laws.
- We understood how the company is complying with those frameworks by making enquiries of management to understand how company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of Board minutes, review of correspondence with relevant authorities, as well as consideration of the results of our audit procedures across the company to either corroborate our findings or provide contrary evidence which was followed up.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding which areas of the business present potential fraud risk areas (through assessing the presence of opportunities, incentives or potential rationalisation to commit such acts of fraud), understanding where these risks could present themselves and subsequently identifying the process level controls in place to prevent, or detect and correct them. Combining this with our review of entity level controls, which have evidenced management's behaviour and the culture embedded within the company, we have gained a detailed understanding of the overall susceptibility to fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included: detailed journal entry testing, with a focus on manual journals for identified fraud risks; corroborating balances where necessary to underlying supporting documentation. We also challenged assumptions and judgements made by management by reviewing third party evidence wherever possible and leveraged our data analytics platform in performing our work on revenue recognition in identifying higher risk transactions for testing. The results of these procedures did not identify any such instances of irregularities, including fraud.

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

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

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

Rachel Wilden (Senior statutory auditor)
for and on behalf of

Ernst & Young LLP

Statutory auditor

One Cambridge Business Park

Cambridge,

CB4 0WZ

Date: *30 December 2022*

CARL ZEISS MICROSCOPY LIMITED

**Profit and loss account
for the year ended 30 September 2022**

	Note	2022	2021
		£000	£000
Turnover	4	66,662	59,958
Change in stocks of finished goods and work in progress		2,154	(339)
Other operating income/(charges)	5	(4)	227
Raw materials and consumables		(53,124)	(44,482)
Other external income/(charges)		(1,211)	1,386
Staff costs	6	(8,060)	(6,953)
Depreciation and amortisation		(1,727)	(2,031)
Operating profit	8	4,690	7,766
Interest receivable and similar income		16	16
Interest payable and similar expenses	9	(3)	(1)
Other finance (costs)/income	10	497	(1,642)
Profit before tax		5,200	6,139
Tax on profit	11	(736)	365
Profit for the financial year		4,464	6,504

The notes on pages 16 to 45 form part of these financial statements.

CARL ZEISS MICROSCOPY LIMITED

Statement of comprehensive income for the year ended 30 September 2022

	Note	2022	2021
		£000	£000
Profit for the financial year		4,464	6,504
Other comprehensive income			
Actuarial gain/(loss) on defined pension scheme	23	1,476	(1,432)
Current tax recognised through other comprehensive income		—	150
Deferred tax charge attributable to actuarial gain/(loss)		(369)	208
Other comprehensive income/(costs) net of tax		1,107	(1,074)
Total comprehensive income for the year		5,571	5,430

The notes on pages 16 to 45 form part of these financial statements.

CARL ZEISS MICROSCOPY LIMITED

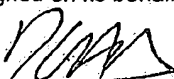
Registered number: 03053545

Balance sheet
as at 30 September 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	13	105	—
Tangible assets	14	7,193	11,225
		<u>7,298</u>	<u>11,225</u>
Current assets			
Stocks	15	31,912	25,988
Debtors: amounts falling due within one year	16	17,660	19,986
Cash at bank and in hand		192	196
		<u>49,764</u>	<u>46,170</u>
Creditors: amounts falling due within one year	17	(14,043)	(11,786)
Net current assets		<u>35,721</u>	<u>34,384</u>
Total assets less current liabilities		<u>43,019</u>	<u>45,609</u>
Creditors - amounts falling due after more than one year	18	(2,846)	(5,710)
		<u>40,173</u>	<u>39,899</u>
Provision for liabilities	21	(1,023)	(1,081)
Pension asset / (liability)	23	1,149	(1,192)
Net assets		<u>40,299</u>	<u>37,626</u>
Capital and reserves			
Called-up share capital	22	2,700	2,700
Share premium		1,670	1,670
Retained earnings		35,929	33,256
Total equity		<u>40,299</u>	<u>37,626</u>

The notes on pages 16 to 45 form part of these financial statements.

The financial statements were approved and authorised for issue by the board on 20/12/2022 and were signed on its behalf by:


D Aldridge
Director

CARL ZEISS MICROSCOPY LIMITED

Statement of changes in equity for the year ended 30 September 2022

	Called-up share capital	Share premium account	Retained earnings	Total equity
At 1 October 2021	2,700	1,670	33,256	37,626
Profit for the year	—	—	4,464	4,464
Actuarial gain/(loss) on defined pension scheme	—	—	1,476	1,476
Tax on gain/(loss) on pension scheme	—	—	(369)	(369)
Total comprehensive gain/(loss) for the year	—	—	5,573	5,573
Dividends	—	—	(2,900)	(2,900)
At 30 September 2022	2,700	1,670	35,929	40,299

Apparent addition discrepancies may arise throughout this annual report due to mathematical rounding.

Statement of changes in equity for the year ended 30 September 2021

	Called-up share capital	Share premium account	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 October 2020	2,700	1,670	32,326	36,696
Profit for the year	—	—	6,504	6,504
Actuarial gain/(loss) on defined pension scheme	—	—	(1,432)	(1,432)
Current tax movements	—	—	150	150
Tax on gain/(loss) on pension scheme	—	—	208	208
Total comprehensive gain/(loss) for the year	—	—	5,430	5,430
Dividends	—	—	(4,500)	(4,500)
At 30 September 2021	2,700	1,670	33,256	37,626

Share premium account

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

Retained earnings

Retained earnings refer to the amount of net earnings, less amounts paid out dividends, retained by the company to be reinvested in its core business.

The notes on pages 16 to 45 form part of these financial statements.

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022

1. General information

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

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation of financial statements

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

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

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

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

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

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

For the purposes of IFRS 101 reduced disclosure exemptions, equivalent disclosures are included in the publicly available consolidated financial statements of Carl Zeiss AG. See note 26 for details.

2.2 Going concern

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

The company has prepared a cash flow forecast for the period to 31 December 2023, being the going concern review period. The forecast along with the financial support of the company's parent undertaking demonstrate that the company has sufficient resources to enable the company to meet its liabilities as they fall during the review period.

The company's parent undertaking (Carl Zeiss AG) has confirmed that it will provide such financial support and other support as necessary to enable the company to meet its liabilities for the period to 31 December 2023. As set out in note 26, the smallest and largest group in which the results of the company are consolidated is that headed by Carl Zeiss AG. The directors have a reasonable expectation that the Carl Zeiss group has adequate resources and liquidity to continue in operational existence for the review period. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

2. Summary of significant accounting policies (continued)

2.3 New standards, amendments and IFRIC interpretations

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

In the current year, the company has applied the following amendments to adopted IFRSs that are mandatorily effective for an accounting period that begins on or after 1 October 2021. The adoption of which has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2;
- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions (applicable for annual periods beginning on or after 1 June 2020);

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022

2: Summary of significant accounting policies (continued)

2.3 New standards, amendments and IFRIC interpretations (continued)

- Amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9 to 1 January 2023 (applicable for annual periods beginning on or after 1 January 2021).

New and revised IFRSs in issue but not yet effective:

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

- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 (applicable for annual periods beginning on or after 1 April 2021)
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022)
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022)
- Annual Improvements to IFRS Standards 2018–2020 (applicable for annual periods beginning on or after 1 January 2022)
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)

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

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

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022

2. Summary of significant accounting policies (continued)

2.4 Turnover

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

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

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

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

2.5 Leases

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

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

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022

2. Summary of significant accounting policies (continued)

2.6 Research and development

(i) Research phase

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

(ii) Development phase

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

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

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

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022

2. Summary of significant accounting policies (continued)

2.7 Employee benefits

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

(i) Short term benefits

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

(ii) Defined contribution pension plan

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

(iii) Defined benefit pension plan

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

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

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

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

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

The cost of the defined benefit plan, recognised in the profit and loss account as employee costs, except where included in the cost of an asset, comprises:

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

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

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022

2. Summary of significant accounting policies (continued)

2.8 Foreign currencies

(i) Functional and presentational currency

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

(ii) Transactions and balances

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

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

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

2.9 Interest receivable

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

2.10 Interest payable

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

2.11 Current and deferred tax

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

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

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

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

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

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022

2. Summary of significant accounting policies (continued)

2.12 Intangible assets

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

The estimated useful lives range as follows:

Software	– 3 year
----------	----------

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

2.13 Tangible fixed assets

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

The estimated useful lives range as follows:

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

Depreciation is charged to the profit and loss account.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Raw materials, consumables and goods for resale comprise of purchase cost on a first-in, first-out basis. Work in progress and finished goods comprise of the cost of direct materials and labour plus attributable overheads, based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion or disposal. Provision is made for obsolete, slow-moving and defective items where appropriate.

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022

2. Summary of significant accounting policies (continued)

2.15 Financial instruments

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

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

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

a. Financial assets

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

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

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

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

(b) Financial assets at amortised cost

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

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

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

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

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

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022

2. Summary of significant accounting policies (continued)

2.15 Financial instruments (continued)

(i) Financial liabilities

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

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

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

(ii) Offsetting of financial instruments

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

2.16 Derivatives

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

2.17 Provision for liabilities

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

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

2.18 Called up share capital

Ordinary shares are classified as equity.

2.19 Dividends

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

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022

3. Critical accounting estimates and judgements

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

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

(i) Taxation

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

(ii) Useful economic lives of intangible and tangible assets

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

(iii) Defined benefit pension scheme

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

(iv) Provisions

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

(v) Leases

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

4. Turnover

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

Turnover is derived entirely from the sale of goods.

The company has made use of the exemption, in paragraph 68(5), part 3 of schedule 1 of SI 2008/410, not to disclose the analysis of turnover by geographical market as, in the opinion of the directors, it would be seriously prejudicial to the interests of the company to do so.

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022

5. Other operating income/(charges)

The operating profit is stated after charging:

	2022	2021
	£000	£000
Disposal of fixed assets	(4)	—
RDEC grant income	—	227

6. Employees

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

	2022	2021
	£000	£000
Wages and salaries	6,830	5,865
Social security costs	721	581
Cost of defined contribution scheme	509	507
	8,060	6,953

The average monthly number of employees during the period was as follows:

	2022	2021
	No.	No.
Production	64	56
Marketing and selling	15	14
Service and spares	5	5
Research and development	39	37
Administration	16	11
	139	123

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022

7. Directors' remuneration

	2022 £000	2021 £000
Directors' remuneration	325	284
Directors' pension costs - defined contribution scheme	18	17
	<u>343</u>	<u>301</u>

The aggregate emoluments of the highest paid director was 194k GBP (2021: 167k GBP) and company pension contributions of 10k GBP (2021: 10k GBP) were made to a defined contribution scheme on his behalf.

During the year, two directors (2021: two) participated in a defined contribution pension scheme.

During the year two directors (2021: two) were employed by other group undertakings and their remuneration for qualifying services to the company is deemed to be negligible so that they would not be able to allocate any remuneration received to Carl Zeiss Microscopy Limited.

During the year, one director (2021: one) was a member of the company's defined benefit scheme

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

8. Operating profit

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

	2022 £000	2021 £000
Research and development expenditure	305	366
Depreciation of tangible fixed assets	1,727	2,026
Amortisation of intangible assets, including goodwill	—	5
Auditor's remuneration - audit of the financial statements of the company	43	78
Net loss/(gain) on foreign exchange	548	22
Defined contribution pension cost	509	507
Operating lease rentals - other	796	367

9. Interest payable and similar expenses

	2022 £000	2021 £000
Other interest payable	<u>3</u>	<u>1</u>

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022

10. Other finance (costs)/income

	2022	2021
	£000	£000
Net interest on pension surplus (see note 23)	(14)	(2)
Movement on derivative	670	(1,437)
Interest expense on right-of-use asset	(159)	(203)
	497	(1,642)

11. Taxation

	2022	2021
	£000	£000
Corporation tax		
Current tax on profits for the period	872	1,219
Adjustments in respect of previous periods	(527)	(1,186)
Total current tax	345	33
Deferred tax		
Current year	254	68
Adjustments in respect of previous periods	57	(375)
Effects of changes in tax rates	80	(91)
Total deferred tax	391	(398)
Taxation on profit on ordinary activities	736	(365)

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the period is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	5,200	6,139
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	988	1,166
Effects of:		
Adjustments in respect of previous periods	(471)	(1,561)
Expenses not deductible for tax purposes	139	121
Tax rate changes	80	(91)
Total tax expense	736	(365)

Figures are rounded according to proper commercial standards. This may result in rounding differences.

12. Dividends

	2022 £000	2021 £000
Dividends paid on ordinary shares (2022: £1.07 share (2021: £1.67 share))	2,900	4,500

CARL ZEISS MICROSCOPY LIMITED

**Notes to the financial statements
for the year ended 30 September 2022**

13. Intangible assets

	Software
	£000
Cost	
At 1 October 2021	215
Additions	105
At 30 September 2022	<u>320</u>
Accumulated amortisation	
At 1 October 2021	215
Charge for the year	—
At 30 September 2022	<u>215</u>
Net book value	
At 30 September 2022	<u>105</u>
At 30 September 2021	<u>—</u>

CARL ZEISS MICROSCOPY LIMITED

**Notes to the financial statements
for the year ended 30 September 2022 (continued)**

14. Tangible fixed assets

	Assets under construction £000	Leasehold property and improvements £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost					
At 1 October 2021	54	14,886	2,115	15	17,070
Additions	68	2	99	—	169
Disposals/Transfer	(54)	(2,412)	(11)	—	(2,477)
At 30 September 2022	<u>68</u>	<u>12,476</u>	<u>2,203</u>	<u>15</u>	<u>14,762</u>
Depreciation					
At 1 October 2021	—	4,125	1,706	14	5,845
Charge for the year	—	1,513	214	—	1,727
Disposals	—	—	(3)	—	(3)
At 30 September 2022	<u>—</u>	<u>5,638</u>	<u>1,917</u>	<u>14</u>	<u>7,569</u>
Net book value					
At 30 September 2022	<u>68</u>	<u>6,838</u>	<u>286</u>	<u>1</u>	<u>7,193</u>
At 30 September 2021	<u>54</u>	<u>10,761</u>	<u>409</u>	<u>1</u>	<u>11,225</u>

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022 (continued)

14. Tangible fixed assets (continued)

(i) Right-of-use assets

As at 30 September 2022, right-of-use assets have been recognised as follows:

	Leasehold property and improvements £000	Fixtures and fittings £000	Total £000
Right-of-use assets			
Cost	<u>6,504</u>	<u>—</u>	<u>6,504</u>

Additions to the right-of-use assets during the financial year were nil in both 2022 and 2021. Disposals during 2022 amounted to 2,412k GBP (2021: 10k GBP).

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

(ii) Amounts recognised in the balance sheet

	2022 £000	2021 £000
Right-of-use assets		
Leasehold property and improvements	3,259	6,627
Fixtures and fittings	<u>—</u>	<u>1</u>
	<u>3,259</u>	<u>6,628</u>
Lease liabilities		
Current	615	1,043
Non-current	<u>2,846</u>	<u>5,710</u>
	<u>3,461</u>	<u>6,753</u>

Lease liabilities compared to 2021 have also decreased respectively due to disposal of Right of use assets during 2022.

CARL ZEISS MICROSCOPY LIMITED

**Notes to the financial statements
for the year ended 30 September 2022 (continued)**

14. Tangible fixed assets (continued)

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

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

	2022	2021
	£000	£000
Depreciation charge of right-of-use assets		
Leasehold property and improvements	(901)	(970)
Fixtures and fittings	(1)	(10)
	(902)	(980)
	2022	2021
	£000	£000
Interest expense (included in finance cost)	(159)	(203)
Expenses relating to low value leases (included in administrative expenses)	—	(74)

The total cash outflow for leases in 2022 was 677k GBP (2021: 1,184k GBP).

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022 (continued)

14. Tangible fixed assets (continued)

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

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

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

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

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

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

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

15. Stocks

	2022	2021
	£000	£000
Raw materials and consumables	19,036	14,732
Work in progress	7,788	5,347
Finished goods and goods for resale	5,088	5,909
	<u>31,912</u>	<u>25,988</u>

There is no significant difference between the replacement cost of stocks and their carrying amounts. Stocks are stated after provisions for impairment of 1,171k GBP (2021: 981k GBP)

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022 (continued)

16. Debtors

	2022	2021
	£000	£000
Due within one year		
Trade debtors	9	7
Amounts owed by parent undertaking	12,090	12,261
Amounts owed by other fellow undertakings	1,297	4,122
Corporation tax	—	191
Deferred taxation	—	741
Derivative financial instruments	1,213	45
Other debtors	2,750	2,565
Prepayments and accrued income	301	54
	17,660	19,986

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

Trade debtors are stated after provisions for impairment of 90k GBP(2021: 123k GBP).

17. Creditors: Amounts falling due within one year

	2022	2021
	£000	£000
Bank overdrafts	942	688
Lease liabilities	615	1,043
Trade creditors	8,560	5,897
Amounts owed to parent undertakings	311	119
Amounts owed to other fellow undertakings	593	369
Corporation tax	147	—
Deferred taxation	20	—
Derivative financial instruments	—	386
Other creditors	270	232
Accruals and deferred income	2,585	3,052
	14,043	11,786

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

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

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

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

CARL ZEISS MICROSCOPY LIMITED

**Notes to the financial statements
for the year ended 30 September 2022 (continued)**

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

	2022 £000	2021 £000
Lease liabilities	2,846	5,710
	<u>2,846</u>	<u>5,710</u>

19. Leases

The present value of future minimum lease payments is analysed as follows:

	2022 £000	2021 £000
Not later than one year	615	1,043
Later than one year but not later than five years	2,419	3,966
Later than five years	427	1,744
	<u>3,461</u>	<u>6,753</u>

20. Deferred tax assets / (liabilities)

	2022 £000	2021 £000
At the beginning of the year	741	134
Credited/(charged) to profit and loss account	(335)	23
Credited/(charged) to other comprehensive income	(369)	209
Adjustment in respect of prior periods	(57)	375
At end of the year	<u>(20)</u>	<u>741</u>

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022 (continued)

20. Deferred tax assets / (liabilities) (continued)

The deferred tax assets/(liabilities) is made up as follows:

	2022 £000	2021 £000
Fixed assets	274	382
Temporary differences trading	—	59
Pension	(287)	309
Change in basis	(7)	(9)
	<u>(20)</u>	<u>741</u>
Comprising		
Asset - due after one year	274	382
Asset - due within one year	—	367
Liability - due within one year	(287)	—
Liability - due after one year	(7)	(8)
	<u>(20)</u>	<u>741</u>

21. Provisions

	Warranty £000	Lease dilapidations £000	Total £000
As at 1 October 2021	58	1,023	1,081
Increase/(decrease) in provision	(58)	—	(58)
As at 30 September 2022	<u>—</u>	<u>1,023</u>	<u>1,023</u>

Warranty

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

Lease dilapidations

The lease dilapidation provision covers the cost of restoring the leased property to its original condition at the end of its lease. The lease ends in July 2028.

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022 (continued)

22. Share capital

	2022 £000	2021 £000
Alloted, called up and fully paid		
2,700,000 (2021 - 2,700,000) Ordinary shares of £1.00 each	2,700	2,700

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

23. Pension commitments

Defined contribution scheme

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to 509k GBP (2021: 507k GBP). There are no outstanding or prepaid contributions at the year end (2021: Nil).

Defined benefit scheme

The company also operates a defined benefit pension scheme providing benefits based on final pensionable pay, which is now closed to future accruals. An actuarial valuation for the purposes of IAS19 was carried out at 30 September 2022 by a qualified independent actuary using full membership data at that date. The next formal triennial funding valuation will be carried out with the effective date of 30 September 2022.

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

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

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

(i) Asset volatility

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

(ii) Changes in bond yields

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

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022 (continued)

23. Pension commitments (continued)

(iii) Inflation risk

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

(iv) Life expectancy

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

Reconciliation of present value of plan liabilities:

	2022	2021
	£000	£000
As at the beginning of the year	27,220	24,672
Interest cost	513	349
Past service costs	—	46
Benefits paid	(962)	(938)
Experience (gains)/losses	69	(872)
Actuarial (gains)/losses - financial assumption changes	(7,984)	3,963
At the end of the year	18,856	27,220

Reconciliation of present value of plan assets:

	2022	2021
	£000	£000
At the beginning of the year	26,028	24,121
Interest income	498	347
Employer contributions	880	838
Benefits paid	(962)	(938)
Return on assets excluding interest income	(6,439)	1,660
At the end of the year	20,005	26,028

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022 (continued)

23. Pension commitments (continued)

Composition of plan assets:

	2022	2021
	£000	£000
Equities	4,460	8,149
Corporate bonds	4,163	5,707
Other alternative investments - LDI	3,283	5,286
Diversified growth	5,058	4,292
Cash	345	140
Property income	2,696	2,454
Total plan assets	20,005	26,028

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

The amounts recognised in the balance sheet are as follows:

	2022	2021
	£000	£000
Fair value of plan assets	20,005	26,028
Present value of plan liabilities	(18,856)	(27,220)
Net pension scheme asset/(liability)	1,149	(1,192)

The amounts recognised in the profit or loss account are as follows:

	2022	2021
	£000	£000
Past service cost	—	46
Interest on obligation (net)	15	2
Total recognised in the Income Statement	15	48

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022 (continued)

23. Pension commitments (continued)

For the year ended 30 September 2023, it is expected that the company will have a net interest income/ (expense) on the defined benefit pension of 85k GBP (2022: (14)k GBP).

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

	2022 £000	2021 £000
Experience (gain)/loss	69	(872)
Actuarial (gain)/ loss	(7,984)	3,963
(Gain)/Loss on asset excluding interest income	6,439	(1,660)
Closing defined benefit obligation	(1,476)	1,431

A reconciliation of the recognised deficit/(surplus) from the beginning to the end of the year is shown below:

	2022 £000	2021 £000
At the beginning of the year	1,192	551
Employer contributions	(880)	(838)
Interest recognised in the profit and loss account	15	48
Actuarial (gains)/losses	(1,476)	1,431
At the end of the year	(1,149)	1,192

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022 (continued)

23. Pension commitments (continued)

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

	2022	2021
	%	%
Discount rate	5.47	1.92
Future pension increases, capped at 5%	3.25	2.92
Future pension increases, capped at 3%	2.50	2.40
Inflation	3.42	2.97
Inflation assumption (CPI)	3.09	2.57
Section 52A orders	3.09	2.57
The mortality assumptions used were as follows (years):		
- for a male aged 65 now	23	23
- at 65 for a male aged 45 now	25	24
- for a female aged 65 now	24	25
- at 65 for a female member aged 45 now	26	26

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

	2022	2021
	£000	£000
As at Discount rate at 5.97% (plus 0.5% pa)	18,019	25,407
Discount rate at 4.97% (less 0.5% pa)	19,771	29,245
RPI and CPI at 3.92% and 3.59% (plus 0.5% pa)	19,127	27,911
RPI and CPI at 2.92% and 2.59% (less 0.5% pa)	18,530	26,389
Long term mortality improvement reduced by one year	18,265	28,420
Long term mortality improvement increased by one year	19,442	26,035

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2022 (continued)

23. Pension commitments (continued)

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

	2022 £000	2021 £000
Not later than 12 months	1,081	1,178
Later than 1 year and not later than 5 years	4,528	3,801
Later than 5 years	5,945	5,437
	<u>11,554</u>	<u>10,416</u>

The company expects to contribute 838k GBP (2021: 880k GBP) to its defined benefit pension scheme in the next year. The average duration of the defined benefit obligation at the end of the reporting period is 11 years (2021: 15 years).

24. Related party transactions

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

25. Post balance sheet events

Subsequent to the year end, the directors recommended the payment of an interim dividend of 4,500k GBP.

26. Immediate parent undertaking and ultimate controlling party

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

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

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

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