

Registered number: 03053545

Carl Zeiss Microscopy Limited

Annual Report and financial statements

for the year ended 30 September 2023



CARL ZEISS MICROSCOPY LIMITED

Company information

Directors	P Adderley M Albiez D Aldridge
Company Secretary	Michaela Deli
Registered number	03053545
Registered office	Zeiss House 1030 Cambourne Business Park Cambourne Cambridge CB23 6DW
Independent auditors	PricewaterhouseCoopers LLP Maurice Wilkes Building St John's Innovation Park Cowley Road Cambridge CB4 0DS

CARL ZEISS MICROSCOPY LIMITED

CONTENTS

	Page(s)
Strategic report	1 - 3
Directors' report	4 - 8
Independent auditors' report to the members of Carl Zeiss Microscopy Limited	9 - 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 2023

The directors present their strategic report of the company for the year ended 30 September 2023.

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. During the year, the company made investments in its manufacturing capacity and capability, with expansion of the production space, 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 global supply chain challenges. The impact of these challenges was minimised with an effective risk management approach and resulting mitigation measures.

The company has a global customer base and diverse application areas, which has resulted in a strong business performance in order intake and revenue.

During the year, the company continued to see positive revenue growth. Revenue for the year ended 30 September 2023 amounted to 78,126k GBP (2022: 66,662k GBP) which represents an increase of 17% from the prior year (2022: increase of 11%).

There was a decrease in profit after tax to 3,434k GBP (2022: 4,464k GBP) which represents a 23% decrease (2022: decrease of 31%). This was primarily driven by increasing costs in raw materials and consumables.

The company continued to maintain a strong balance sheet position with net assets of 37,615k GBP at the year end (2022: 40,299k GBP.)

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.

Global supply chain challenges (rising costs, and shortages of some specialist metals, electrical and electronics components) show positive signs of stabilising and the company has invested in improving the resilience of its supply chain network. The directors therefore consider that this risk has reduced during the year, which was a necessity for the planned future business growth.

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.

The company has further developed its Business Continuity Plan (crisis response plan) during the year, running a simulated crisis to highlight potential improvements, strengthen processes, and ensure clarity in roles and responsibilities in the crisis response team. It is planned to run further simulations in the future to prepare the organisation for situations of high uncertainty.

CARL ZEISS MICROSCOPY LIMITED

Strategic Report (continued) for the year ended 30 September 2023

Financial Key Performance Indicators:

	2023	2022
Revenue (k GBP)	78,126	66,662
EBIT (k GBP)	5,405	4,690
EBIT in revenue (%)	6.9	7.0
Stocks in revenue (%)	53.5	47.9
Headcount (monthly average)	164	139

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 (calculated as closing stock as a percentage of revenue) and headcount. The directors regularly monitor these against budget and prior year. The board considers this year's revenue and EBIT to be an excellent result in the light of supply chain constraints, material cost increase and overall inflation development. There was a slight increase in the stocks in revenue percentage. This resulted from the company's strategy to mitigate global supply chain risks. The company continues to monitor this KPI to ensure inventory management is efficient and optimised. Furthermore the company continues to invest in its staff which saw an increase in headcount during the year. This was mainly driven by an increase in customer orders and production requirements.

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 group and responsibility for employees - this culture underpins the Zeiss group 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.

Customers

As a contract manufacturer to the parent company, the company's customers are intra-group. The ZEISS mission statement

"As the pioneer of science in optics, we continue to challenge the limits of our imagination. With our passion for excellence, we create value for our customers and inspire the world in new ways" and strategy is strongly customer-focussed. The importance of the company's end-customers is reflected in management and operational targets of the company, and the directors regularly and actively engage with customers and sales to ensure that current and future needs and risks are understood.

Suppliers

The company has a global supply chain, which are important partnerships for the business. Strong relationships are cultivated based on fair and respectful business practices, which can be beneficial to both parties. As far as practically possible, the company shares its business outlook with suppliers to enable advanced planning that is mutually beneficial. The company agrees and abides by payment terms with its suppliers, which are fair and reasonable for both sides.

**Strategic Report (continued)
for the year ended 30 September 2023**

Employees

The company recognises the importance of well-motivated and well-trained team members for its long-term success. During the year, the company has continued to adopt the ZEISS global standard platform as part of its HR transformation, demonstrating best practice in how this has been embedded into the organisation taking an engaging and involving approach. Concise and regular communications, backed up with training and user clinics has given team members the time and space to adapt to change, to be part of the transformation journey and to understand the value created.

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 and role-models 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 and this forms part of the induction program for all new team members.

Community and Sustainability

The company's commitment to sustainability is firmly anchored in the Group strategy. This commitment drives forward the three focus topics of added value for society, circular economy and climate action.


The company is engaged in activities to promote science and technology in the community, supporting events in local education institutes and providing STEM opportunities for young people; this is supported by the Group's 'A Heart for Science' initiative. The ZEISS Code of Conduct defines how we interact and behave with all stakeholders and the company takes care that people interacting with the business are treated ethically and with respect. The company aims as far as possible to ensure its supply chains are free of the risks of modern slavery and human trafficking. A whistleblowing system is in place (which can be used anonymously) for any cases where there is tangible evidence that applicable laws or internal guidelines may have been violated.

The company strives for a circular use of resources with a view to reducing the impact on the environment. To achieve this, renewable and recyclable materials are increasingly used. The company has eliminated waste going to landfill and continues to work on initiatives to reduce consumption of single-use plastics. Reusable packaging and shipping crates are used for some logistics processes, which reduce the consumption of raw materials.

The ZEISS Group has set a goal of reaching carbon neutrality in all its operations by 2025 by reducing energy and consumption offsetting emissions. The directors recognise the success the company has achieved in the past year in increasing manufacturing output at the same time as reducing energy consumption. Plans are in development for further decarbonisation of the facility, to reduce the use and consumption of fossil fuels

This report was approved by the board on **26th March 2024**

and signed on its behalf by:

 Digitally signed by
Aldridge Daniel
v7ALD
Date: 2024.03.26
15:18:21 Z

**D Aldridge
Director**

CARL ZEISS MICROSCOPY LIMITED

Directors' report for the year ended 30 September 2023

The directors present their report and the audited financial statements of the company for the year ended 30 September 2023.

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 3,434k GBP (2022: 4,464k GBP).

During the year, the directors paid an interim dividend of 4,500k GBP (2022: 2,900k GBP).

The directors do not recommend payment of a final dividend (2022: nil).

Subsequent to the year end, the directors recommend nil payment of an interim dividend .

Going concern

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

The financial statements have been prepared on a going concern basis as the company's parent undertaking (Carl Zeiss AG) has confirmed that it will provide such financial support and other support as necessary to enable the company to meet its liabilities for at least twelve months from signing of the statutory financial statement. As set out in note 26, the smallest and largest Zeiss 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 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, Research and Development activities

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

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; these developments are market-led, being defined by the parent company's technology innovation and technology development roadmap, and introduced into series manufacturing processes using the overarching product and solution generation process (PSGP).

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.

Cash flow risk is managed through the use of the Group financing where the Company has access to additional financing where required.

**Directors' Report (continued)
for the year ended 30 September 2023**

The Company is able to reduce the risk of price increases of raw materials for manufacturing through inter-company agreements. The Company operates on a cost plus mark up basis for all sales which are to Group Companies. As a result the burden of any price increases does not lie with the Company.

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, production capacity was increased by repurposing space within the existing facility. 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. The expansion project is recognised as a success by the board, completing on-time, significantly below budget and with negligible disruption to the operation, providing a solid foundation for business growth.

During the year, the company has continued to adopt the ZEISS global standard platform as part of its HR transformation, demonstrating best practice in how this has been embedded into the organisation taking an engaging and involving approach. Concise and regular communications, backed up with training and user clinics has given team members the time and space to adapt to change, to be part of the journey and to understand the value created.

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 and role models 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, an important component of which is its supply chain, which is 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.

During the year, the company pro-actively engaged with local stakeholders, including the community's secondary school, local businesses and service providers, and regional officials. This has further established the company's strong history of social responsibility, continuing to strive to conduct all its business in an ethical and sustainable manner.

CARL ZEISS MICROSCOPY LIMITED

Directors' Report (continued) for the year ended 30 September 2023

Streamlined energy and carbon reporting statement

2023

Utility and scope	2022/23 Consumption (MWh)	Consumption	Conversion factor	2022/23 Consumption (Tonnes of CO2e)
Grid-supplied electricity (scope 2)	Coal	42.18	0.32	13.50
	Natural gas	445.59	0.18	80.21
	Nuclear	11.77	0	0.00
	Renewable	385.27	0	0.00
	Other	33.92	0.19	6.56
Gaseous (scope 1)		751.12	0.18	135.20
Transportation (scope 1)				6.20
Total				241.67

2022

Utility and scope	2021/22 Consumption (MWh)	Consumption	Conversion factor	2021/22 Consumption (Tonnes of CO2e)
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	0.19	7.76
Gaseous (scope 1)		1526.06	0.18	274.69
Transportation (scope 1)				9.90
Total				395.02

Intensity Ratio 2022/23: Tonnes of CO2e per total £m sales revenue = 3.10

Intensity Ratio 2021/22: Tonnes of CO2e per total £m sales revenue = 5.92

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

- The purchase of Energy Attribute Certificates to match the energy consumption which could not be confirmed by the supplier as being 100% from renewable sources.
- Improvements to the Building Management System to improve control of plant with resulting energy reduction.

The company is engaging with external partners to further develop its mid-term plans in transitioning to a net zero business and an investment grade proposal report with recommendations for the building plant will be available in the first half of FY23/24.

CARL ZEISS MICROSCOPY LIMITED

Directors' Report (continued) for the year ended 30 September 2023

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 Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, 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.

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.


CARL ZEISS MICROSCOPY LIMITED

Directors' Report (continued) for the year ended 30 September 2023

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, will be proposed for re-appointment at the AGM for the year ending 30 September 2024.

The Directors' report was approved by the board on 26th March 2024 and signed on its behalf.

 Digitally signed by
Aldridge Daniel Y7ALD
Date: 2024.03.26
15:18:55 Z

**D Aldridge
Director**

Independent auditors' report to the members of Carl Zeiss Microscopy Limited

Report on the audit of the financial statements

Opinion

In our opinion, Carl Zeiss Microscopy Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 30 September 2023; the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 a period of at least twelve months from when the financial statements are authorised for issue.

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.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 September 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety and employment legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate accounting entries to manipulate financial results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Making enquiries with management, including consideration of known or suspected instances of non-compliance with laws and regulations;
- Identifying and testing journal entries meeting specified criteria considered to be unusual or indicative of potential fraud;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Review relevant minutes, including those of the Board of Directors, to identify any non compliance; and
- Testing the appropriateness of key accounting estimates made by management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Bree Sherwood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
26 March 2024

CARL ZEISS MICROSCOPY LIMITED

Profit and loss account for the year ended 30 September 2023

	Note	2023 £000	2022 £000
Turnover	4	78,126	66,662
Change in stocks of finished goods and work in progress		2,759	2,154
Other operating income/(charges)	5	374	(4)
Raw materials and consumables		(63,821)	(53,124)
Other external charges		(781)	(1,211)
Staff costs	6	(9,784)	(8,060)
Depreciation and amortisation		(1,468)	(1,727)
Operating profit	8	5,405	4,690
Interest receivable and similar income		26	16
Interest payable and similar expenses	9	(410)	(3)
Other finance (costs)/income	10	(1,403)	497
Profit before tax		3,618	5,200
Tax on profit	11	(184)	(736)
Profit for the financial year		3,434	4,464

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 2023

	Note	2023 £000	2022 £000
Profit for the financial year		3,434	4,464
Other comprehensive (expense)/income			
Actuarial (loss)/gain on defined pension scheme	23	(1,676)	1,476
Deferred tax credit/(charge) attributable to actuarial (loss)/gain		59	(369)
Other comprehensive (expense)/income net of tax		(1,617)	1,107
Total comprehensive income for the year		1,817	5,571


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

Balance sheet
as at 30 September 2023

	Note	2023 £000	2022 £000
Fixed assets			
Intangible assets	13	71	105
Tangible assets	14	<u>6,609</u>	<u>7,193</u>
		6,680	7,298
Current assets			
Stocks	15	41,779	31,912
Debtors: amounts falling due within one year	16	19,067	17,660
Cash at bank and in hand		1,257	192
		<u>62,103</u>	<u>49,764</u>
Creditors: amounts falling due within one year	17	<u>(28,280)</u>	<u>(14,043)</u>
Net current assets		<u>33,823</u>	<u>35,721</u>
Total assets less current liabilities		<u>40,503</u>	<u>43,019</u>
Creditors: amounts falling due after more than one year	18	<u>(2,262)</u>	<u>(2,846)</u>
		38,241	40,173
Provision for liabilities	21	(1,023)	(1,023)
Pension asset	23	397	1,149
Net assets		<u>37,615</u>	<u>40,299</u>
Capital and reserves			
Called-up share capital	22	2,700	2,700
Share premium account		1,670	1,670
Retained earnings		33,245	35,929
Total equity		<u>37,615</u>	<u>40,299</u>

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

The financial statements on pages 12 to 45 were approved by the Board of Directors on 26th March 2024 and signed on its behalf by:

 Digitally signed by
Aldridge Daniel Y7ALD
Date: 2024.03.26
15:19:22 Z

D Aldridge
Director

CARL ZEISS MICROSCOPY LIMITED

Statement of changes in equity for the year ended 30 September 2023

	Called-up share capital	Share premium account	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 October 2022	2,700	1,670	35,929	40,299
Profit for the year	—	—	3,434	3,434
Actuarial loss on defined pension scheme	—	—	(1,676)	(1,676)
Tax on loss on pension scheme	—	—	59	59
Total comprehensive income for the year	—	—	1,816	1,816
Dividends	—	—	(4,500)	(4,500)
At 30 September 2023	2,700	1,670	33,245	37,615

	Called-up share capital	Share premium account	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 October 2021	2,700	1,670	33,256	37,626
Profit for the year	—	—	4,464	4,464
Actuarial gain on defined pension scheme	—	—	1,476	1,476
Tax on loss on pension scheme	—	—	(369)	(369)
Total comprehensive income for the year	—	—	5,573	5,573
Dividends	—	—	(2,900)	(2,900)
At 30 September 2022	2,700	1,670	35,929	40,299

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 2023

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 South Cambridgeshire, United Kingdom. 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'

**Notes to the financial statements
for the year ended 30 September 2023**

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 FRS 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 30 June 2025, 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 at least twelve months from signing of the statutory financial statement. 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 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.

2.3 New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 September 2023 that have a material impact on the company's financial statements.

**Notes to the financial statements
for the year ended 30 September 2023**

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 lessees to recognise all leases in the form of a right-of-use asset and corresponding lease liability. The lease liability is measured at the present value of the outstanding lease payments. This is presented in the 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.

**Notes to the financial statements
for the year ended 30 September 2023**

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.

**Notes to the financial statements
for the year ended 30 September 2023**

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'.

**Notes to the financial statements
for the year ended 30 September 2023**

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.

**Notes to the financial statements
for the year ended 30 September 2023**

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 values.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying value is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount.

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 weighted average valuation. 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.

**Notes to the financial statements
for the year ended 30 September 2023**

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.

**Notes to the financial statements
for the year ended 30 September 2023**

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 Impairment of financial assets

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For accounts receivables and contract assets, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The company considers a financial asset in default when contractual payments are 1 year past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.17 Derivatives

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

2.18 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.

**Notes to the financial statements
for the year ended 30 September 2023**

2.19 Called up share capital

Ordinary shares are classified as equity.

2.20 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.

2.21 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the Balance Sheet, bank overdrafts are shown within borrowings in current liabilities.

**Notes to the financial statements
for the year ended 30 September 2023**

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.

Estimates

(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.

Judgements

(i) 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.

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2023

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.

5. Other operating income/(charges)

The operating profit is stated after charging:

	2023 £000	2022 £000
Disposal of fixed assets	150	(4)
RDEC grant income	224	—
	<u>374</u>	<u>(4)</u>

6. Staff costs

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

	2023 £000	2022 £000
Wages and salaries	8,318	6,830
Social security costs	855	721
Cost of defined contribution scheme	611	509
	<u>9,784</u>	<u>8,060</u>

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

	2023 No.	2022 No.
Production	81	64
Marketing and selling	14	15
Service and spares	4	5
Research and development	47	39
Administration	18	16
	<u>164</u>	<u>139</u>

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2023

7. Directors' remuneration

	2023 £000	2022 £000
Directors' remuneration	329	325
Directors' pension costs - defined contribution scheme	19	18
	348	343

The aggregate emoluments of the highest paid director was 193k GBP (2022: 194k GBP) and company pension contributions of 11k GBP (2022: 10k GBP) were made to a defined contribution scheme on his behalf.

During the year, two directors (2022: two) participated in a defined contribution pension scheme.

During the year two directors (2022: two) were employed by other Zeiss 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 (2022: 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):

	2023 £000	2022 £000
Raw materials and consumables	63,821	53,124
Research and development expenditure	167	305
Release of provision for bad debts	(48)	(32)
Disposal of fixed assets	150	(4)
Depreciation of tangible fixed assets	1,433	1,727
Amortisation of intangible assets, including goodwill	35	—
Auditors' remuneration - audit of the financial statements of the company	52	43
Net (gain)/loss on foreign exchange	(62)	548
Defined contribution pension cost	611	509
Operating lease rentals - other	1,025	796

9. Interest payable and similar expenses

	2023 £000	2022 £000
Other interest payable	(410)	(3)

This interest relates to intercompany interest payable.

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2023

10. Other finance (costs)/income

	2023 £000	2022 £000
Net interest on pension surplus (see note 23)	86	(14)
Movement on derivative	(1,439)	670
Interest expense on right-of-use asset	(50)	(159)
	<u>(1,403)</u>	<u>497</u>

11. Tax on profit

	2023 £000	2022 £000
Corporation tax		
Current tax on profits for the period	586	872
Adjustments in respect of previous periods	(391)	(527)
Total current tax	<u>195</u>	<u>345</u>
Deferred tax		
Current year	283	254
Adjustments in respect of previous periods	(333)	57
Effects of changes in tax rates	39	80
Total deferred tax	<u>(11)</u>	<u>391</u>
Tax on profit	<u>184</u>	<u>736</u>

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2023

11. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the period is lower than (2022 - lower than) the standard rate of corporation tax in the UK of 22% (2022 - 19%). The differences are explained below:

	2023	2022
	£000	£000
Profit before tax	3,618	5,200
Profit before tax multiplied by standard rate of corporation tax in the UK of 25% (2022 - 19%)	796	988
Effects of:		
Adjustments in respect of previous periods	(724)	(471)
Expenses not deductible for tax purposes	134	139
Tax rate changes	39	80
Tax Incentives	(12)	—
Total tax expense	233	736

The standard rate of corporation tax in the UK changed from 19% to 25% from 1st April 2023.

12. Dividends

	2023	2022
	£000	£000
Dividends paid on ordinary shares (2023: £1.67 share (2022: £1.07 share))	4,500	2,900

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2023

13. Intangible assets

	2023 £000
Cost	
At 1 October 2022	320
Additions	1
At 30 September 2023	<u>321</u>
Accumulated amortisation	
At 1 October 2022	215
Charge for the year	35
At 30 September 2023	<u>250</u>
Net book value	
At 30 September 2023	<u>71</u>
At 30 September 2022	<u>105</u>
Intangible assets As at 30 September 2022	
	2022 £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 2023 (continued)

14. Tangible assets

	Assets under construction £000	Leasehold property and improvements £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost					
At 1 October 2022	68	12,476	2,203	15	14,762
Additions	417	60	372	—	849
Transfer	(79)	79	—	—	—
At 30 September 2023	406	12,615	2,575	15	15,611
Accumulated depreciation					
At 1 October 2022	—	5,638	1,917	14	7,569
Charge for the year	—	1,189	243	1	1,433
At 30 September 2023	—	6,827	2,160	15	9,002
Net book value					
At 30 September 2023	406	5,788	415	—	6,609
At 30 September 2022	68	6,838	286	1	7,193

	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	(54)	(2,412)	(11)	—	(2,477)
At 30 September 2022	68	12,476	2,203	15	14,762
Accumulated 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	—	5,638	1,917	14	7,569
Net book value					
At 30 September 2022	68	6,838	286	1	7,193
At 30 September 2021	54	10,761	409	1	11,225

**Notes to the financial statements
for the year ended 30 September 2023 (continued)**

14. Tangible assets (continued)

(i) Right-of-use assets

As at 30 September 2023, 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	6,504	—	6,504

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	6,504	—	6,504

Additions to the right-of-use assets during the financial year was 79k GBP in 2023 (2022: nil). Disposals during 2023 amounted to 0k GBP (2022: 2,412k 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

	2023 £000	2022 £000
Right-of-use assets		
Net book value of Leasehold property and improvements	2,700	3,259
	2,700	3,259
Lease liabilities		
Current	618	615
Non-current	2,262	2,846
	2,880	3,461

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2023 (continued)

14. Tangible 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:

	2023 £000	2022 £000
Depreciation charge of right-of-use assets		
Leasehold property and improvements	(559)	(901)
Fixtures and fittings	—	(1)
	<u>(559)</u>	<u>(902)</u>
	2023 £000	2022 £000
Interest expense (included in finance cost)	<u>(50)</u>	<u>(159)</u>

The total cash outflow for leases in 2023 was 638k GBP (2022: 677k GBP).

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2023 (continued)

14. Tangible 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

	2023	2022
	£000	£000
Raw materials and consumables	24,836	19,036
Work in progress	9,894	7,788
Finished goods and goods for resale	7,049	5,088
	41,779	31,912

There is no significant difference between the replacement cost of stocks and their carrying amounts. Stocks are stated after provisions for impairment of 1,505k GBP (2022: 1,171k GBP).

The cost of Inventories for stock purchased during the year amounted to 2,759k GBP (2022: 2,154k GBP)

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2023 (continued)

16. Debtors: amounts falling due within one year

	2023 £000	2022 £000
Due within one year		
Trade debtors	13	9
Amounts owed by parent undertaking	15,927	12,090
Amounts owed by other fellow undertakings	367	1,297
Deferred taxation	50	—
Derivative financial instruments (Refer Note 24)	2	1,213
Other debtors	2,372	2,750
Prepayments and accrued income	336	301
	19,067	17,660

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 49k GBP(2022: 90k GBP). Other debtors includes 2,270k GBP for VAT recoverable (2022: 2,581k GBP).

17. Creditors: Amounts falling due within one year

	2023 £000	2022 £000
Bank overdrafts	991	942
Trade creditors	9,054	8,378
Amounts owed to parent undertakings	343	311
Amounts owed to other fellow undertakings	640	593
Lease liabilities	618	615
Corporation tax	105	147
Social Security and taxes	219	182
Deferred taxation	—	20
Other creditors	14,034	270
Derivative financial instruments	469	—
Accruals and deferred income	1,807	2,585
	28,280	14,043

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

Amounts owed to fellow Zeiss 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.

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2023 (continued)

Other creditors include interest bearing amount of 13,710k GBP received from Carl Zeiss AG as part of Cash pool agreement. Rest of the balance are non-interest bearing and have an average term of 1 month.

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

	2023 £000	2022 £000
Lease liabilities	2,262	2,846
	<u>2,262</u>	<u>2,846</u>

19. Leases

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

	2023 £000	2022 £000
Not later than one year	618	615
Later than one year but not later than five years	2,261	2,419
Later than five years	1	427
	<u>2,880</u>	<u>3,461</u>

20. Deferred tax assets / (liabilities)

	2023 £000	2022 £000
At 1 October	(20)	741
Charged to profit and loss account	(322)	(335)
Credited/(charged) to other comprehensive income	59	(369)
Adjustment in respect of prior periods	333	(57)
At 30 September	<u>50</u>	<u>(20)</u>

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2023 (continued)

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

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

	2023 £000	2022 £000
Fixed assets	155	274
Pension	(105)	(294)
	<u>50</u>	<u>(20)</u>

21. Provisions for liabilities

	Lease dilapidations £000	Total £000
As at 1 October 2022	1,023	1,023
Increase/(decrease) in provision	—	—
As at 30 September 2023	<u>1,023</u>	<u>1,023</u>

Provisions for liabilities As at 30 September 2022

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

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.

**Notes to the financial statements
for the year ended 30 September 2023 (continued)**

22. Called up share capital

	2023	2022
	£000	£000
Allotted, called up and fully paid		
2,700,000 (2022 - 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 asset

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 611k GBP (2022: 509k GBP). There are no outstanding or prepaid contributions at the year end (2022: Nil).

Defined benefit scheme

The company also operates a defined benefit pension scheme providing benefits based on final pensionable pay, which is now closed to future accruals. The initial results of the actuarial valuation completed at the effective date of 30 September 2022 have been rolled forward to provide estimated liabilities for the purposes of IAS19 at the effective date of 30 September 2023. The actuarial valuation at 30 September 2022 is required to be completed by 31 December 2023. The next formal triennial funding valuation will be carried out with an effective date of 30 September 2025.

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.

**Notes to the financial statements
for the year ended 30 September 2023 (continued)**

23. Pension asset (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:

	2023	2022
	£000	£000
At 1 October	18,856	27,220
Interest cost	1,005	513
Benefits paid	(970)	(962)
Experience losses	552	69
Actuarial gains - financial assumption changes	(677)	(7,984)
At 30 September	18,766	18,856

Reconciliation of present value of plan assets:

	2023	2022
	£000	£000
At 1 October	20,005	26,028
Interest income	1,091	499
Employer contributions	838	879
Benefits paid	(970)	(962)
Return on assets excluding interest income	(1,801)	(6,439)
At 30 September	19,163	20,005

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2023 (continued)

23. Pension asset (continued)

Composition of plan assets:

	2023	2022
	£000	£000
Equities	5,081	4,460
Corporate bonds	3,110	4,163
Other alternative investments - LDI	2,160	3,283
Diversified growth	3,342	5,058
Cash	5,413	345
Property income	57	2,696
Total plan assets	19,163	20,005

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:

	2023	2022
	£000	£000
Fair value of plan assets	19,163	20,005
Present value of plan liabilities	(18,766)	(18,856)
Net pension scheme asset	397	1,149

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

	2023	2022
	£000	£000
Interest on obligation (net)	(86)	14
Total recognised in the Income Statement	(86)	14

**Notes to the financial statements
for the year ended 30 September 2023 (continued)**

23. Pension asset (continued)

For the year ended 30 September 2024, it is expected that the company will have a net interest income/ (expense) on the defined benefit pension of 24k GBP (2023: 85k GBP).

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

	2023	2022
	£000	£000
Experience loss	552	69
Actuarial gain	(677)	(7,984)
Loss on asset excluding interest income	1,801	6,439
Closing defined benefit obligation/(income)	1,676	(1,476)

A reconciliation of the recognised surplus from the beginning to the end of the year is shown below:

	2023	2022
	£000	£000
At 1 October	(1,149)	1,192
Employer contributions	(838)	(879)
Interest recognised in the profit and loss account	(86)	14
Actuarial (losses)/gains	1,676	(1,476)
At 30 September	(397)	(1,149)

**Notes to the financial statements
for the year ended 30 September 2023 (continued)**

23. Pension asset (continued)

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

	2023	2022
	%	%
Discount rate	5.56	5.47
Future pension increases, capped at 5%	3.05	3.25
Future pension increases, capped at 3%	2.45	2.50
Inflation	3.15	3.42
Inflation assumption (CPI)	2.86	3.09
Section 52A orders	2.86	3.09
The mortality assumptions used were as follows (years):		
- for a male aged 65 now	23	23
- at 65 for a male aged 45 now	24	25
- for a female aged 65 now	24	24
- at 65 for a female member aged 45 now	26	26

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

	2023	2022
	£000	£000
As at Discount rate at 5.97% (plus 0.5% pa)	17,981	18,019
Discount rate at 4.97% (less 0.5% pa)	19,622	19,771
RPI and CPI at 3.92% and 3.59% (plus 0.5% pa)	19,053	19,127
RPI and CPI at 2.92% and 2.59% (less 0.5% pa)	18,460	18,530
Long term mortality improvement reduced by one year	18,130	18,265
Long term mortality improvement increased by one year	19,397	19,442

CARL ZEISS MICROSCOPY LIMITED

Notes to the financial statements for the year ended 30 September 2023 (continued)

23. Pension asset (continued)

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

	2023 £000	2022 £000
Not later than 12 months	1,157	1,081
Later than 1 year and not later than 5 years	4,865	4,528
Later than 5 years	6,151	5,945
	12,173	11,554

The company expects to contribute 76k GBP (2022: 838k 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 9 years (2022: 11 years).

24. Financial instruments

Fair value of financial instruments

The following financial instruments are measured at fair value through the profit and loss account:

	Fair Value	
	2023 £000	2022 £000
Forward foreign exchange contracts – asset	2	1,213
Forward foreign exchange contracts – liability	(468)	—
	(466)	1,213

The Company operates a policy of taking out forward exchange contracts, through a Group facility, to cover future forecasted payments to suppliers in USD and CNY. These contracts are set up to cover monthly cash flows up to 12 months ahead and, whilst they are intended to reduce the exchange risk of forecasted purchases, they are not designated as hedge relationships and are consequently measured at fair value through the profit and loss account.

The fair value of financial assets /liabilities is determined as follows:

Class of financial instruments measured at fair value	Valuation technique
Forward exchange Contracts	Fair value is estimated by discounting the differences between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds.)

**Notes to the financial statements
for the year ended 30 September 2023 (continued)**

25. Related party transactions

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

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 Zeiss 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.