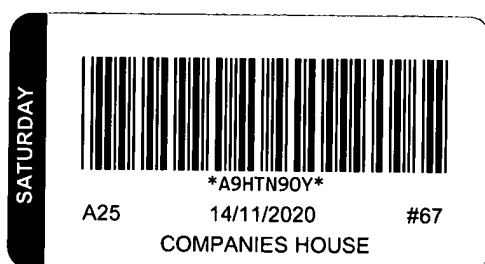


# **Canon Medical Systems Limited**

## **Report and Financial Statements**

Year ending 31 December 2019



**Directors**

J M Hitchman  
M Holmshaw (resigned 1<sup>st</sup> April 2020)  
N Hatakeyama  
T Fukuhira (appointed 1<sup>st</sup> April 2020)

**Secretary**

M Holmshaw (resigned 1<sup>st</sup> April 2020)  
N Hatakeyama (appointed 1<sup>st</sup> April 2020)

**Auditors**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

**Bankers**

NatWest Bank  
151 High Street  
Guildford  
GU1 3AH

**Solicitors**

Laytons LLP  
2 More London Riverside  
London  
SE1 2AP

Berwin Leighton Paisner  
Adelaide House  
London Bridge  
London EC4R 9HA

**Registered Office**

Boundary Court  
Gatwick Road  
Crawley  
West Sussex RH10 9AX  
United Kingdom

Registered No. 00983579

## Strategic report

### Change of reporting period

The Company changed the end date of its reporting period for the prior period in order to align its year-end date with its ultimate parent, Canon Inc. All comparable figures relate to the 9-month reporting period - 1<sup>st</sup> April 2018 – 31<sup>st</sup> December 2018.

**The amounts presented in these financial statements are not entirely comparable.**

### Principal activities and review of the business

The Company supplies and maintains electrical, electronic and mechanical products and services in the medical field. The Company purchases goods primarily from its immediate parent Company, Canon Medical Systems Europe B.V. in Holland, who in turn purchase goods primarily from Canon Medical Systems Corporation, Japan.

### Principal risks and uncertainties

The medical imaging market continues to be competitive, with significant pressure on the sales price. In addition, there is an expectation from customers of a value added selling proposition and a reduction in whole life costs. The Company's main customer continues to be the National Health Service (NHS).

These factors put increasing pressure on margin and turnover growth. However, the Company relies on its historic success, on the strong levels of R&D from its parent Company, new products being brought to market, high levels of market share and the brand of its ultimate parent, Canon Inc.

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The Company continues to monitor the impact of COVID-19 and has implemented a number of measures to mitigate the risks identified. The Company is taking the necessary steps to minimise the risk of contributing to the spread of the virus, which include restrictions on travel, providing up-to-date resources to all employees and guidance on working remotely.

### Review of the business

The results and financial position of the Company shown in these financial statements are in line with the expectations of the Board.

The turnover for the year is £62,587,000 compared to the turnover for the nine months ended 31<sup>st</sup> December 2018 of £40,965,000. The net profit before tax amounted to £592,000 compared to a loss before tax of £601,000 in the previous period.

The Company aims to continue the development of the products in its market sector in order to build the strength of the brand and achieve sustainable gains in market share.

The directors consider the state of affairs of the Company to be satisfactory and that the level of activity will be maintained.

The Company measures its financial performance by reference to profitability, revenue and market share. Operating profit is set out in the Income statement on page 11.

The UK is currently in a post-Brexit transition period, keeping most UK EU arrangements as they are now and this is due to expire on 31 December 2020. Due to the international trading nature of the Company, a number of potential business risks have been identified in relation to the expiration of the transition period.

## Strategic Report (continued)

The Company continues to monitor the UK EU arrangements and has implemented a number of measures to mitigate the risks identified, including the appointment of a Brexit broker, constant review of inventory management placement and ensuring all European personnel have “UK settled status”.

The Company's financial risk management has been adjusted to take account of the risks outlined.

### Key financial performance indicators

The table set below show the key performance indicators (“KPI’s”) which the management of the Company is using to manage its business.

	Y/E 31/12/19	9M/E 31/12/18
	£000	£000
Turnover	62,587	40,965
Gross Profit	25,456	17,031
Gross Profit Percentage	40.7%	41.6%
Expenses	24,360	17,483
Expenses as a % of turnover	38.9%	42.7%
Net Assets	4,459	4,423
Accounts Receivable	12,401	14,006

### Financial impact of defined benefit pension fund

The Company operates a defined benefit pension fund and, as with many other funds in the UK in recent years, the fund is in deficit. This is reflected directly on the Company's balance sheet and must be appropriately funded. The employer and Trustees work with their advisors to balance the risk of volatility in, and adequacy of, returns from the fund assets and to ensure that adequate contributions are made to minimise the deficit.

### Legislative Risks

Medical equipment must be supplied in compliance with various standards and regulations. These standards are subject to continuous revision and any change may have a material impact on profitability. The Company is also bound by other EU and national laws, for example data protection and employment law. In addition, compliance imposes costs and failure to comply could affect the Company's ability to operate.

### Foreign Currency risk

The Company purchases substantially all of its products from Canon Medical Systems Europe BV in Sterling, so is not subject to fluctuation in foreign currency exchange rates. However, a small number of purchases may take place in the year in Euros which would be subject to an exchange rate fluctuation. As this is minimal the Company does not perceive there to be a material exposure to a foreign exchange risk.

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

#### Interest rate risk

The Company finances its operations through loans from Group Companies. The Company borrows in sterling at floating rates of interest and does not hedge its interest rate risk.

#### Liquidity risk

The Company requires borrowing throughout the year from Group Companies and from external sources in the form of group lending and overdrafts only at certain times of the year to meet short-term liquidity needs.

#### Credit risk

The Company is exposed to a degree of credit risk through its normal business activity with its customers, however the Company's most significant customer is the NHS whose credit risk is deemed to be negligible.

#### Mitigation of risk

The Company mitigates credit risks through continuous assessment and evaluation of the credit worthiness of its customers. Commercial risk is managed through regular assessment of the growth and decline of the market it operates in. The Company is confident that these actions enable the Company to react quickly to changes in its competitive and economic environment to ensure the future health of the Company.

### CA2006 s172 Duty to promote the success of the Company

The directors of Canon Medical Systems Ltd have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term
- The potential risks to the company and appropriate mitigation plans
- The interests of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the company

This section of the Strategic Report describes how the directors have had regard to the above matters and forms the directors' statement required by The Companies Act 2006.

#### Stakeholder Engagement

The Directors have taken into account the views and interests of a wide range of stakeholders, including CMSUK's parent companies, its workforce, customers, suppliers and the wider environment and community.

Considering and balancing this broad range of viewpoints is important to the Director's decision making process, to promote the long term success of the business.

The Directors consider and discuss information from across the organisation to help them understand the impact of the Company's strategies and operations. They also review strategy, operational and financial performance, as well as information covering areas such as key risks and legal and regulatory compliance. Much of this information is provided through the channel of a monthly meeting of operational managers representing all areas of the business.

Financial performance, customer satisfaction, logistics, outside influences such as Brexit, clinical trends, and challenges the company is facing at any time and plans to resolve these.

As a result, the Directors consider the governance, employee satisfaction and customer satisfaction of the company to be well managed and handled appropriately.

## Strategic Report (continued)

### Immediate and Ultimate Parent Companies

CMSUK is a wholly owned subsidiary of Canon Medical Systems Europe BV, and its ultimate parent is Canon Inc. The Directors have a legal and financial duty to engage regularly with these organisations.

Engagement happens on a two-way consistent and regular basis, through weekly/monthly meetings to update on strategy and performance and ongoing feedback on operational matters.

Through a formal two-way budget process twice per year the opportunities and threats, and risks and challenges of the company are presented, and discussed, between Canon Medical Systems UK and its parent company, which ensures alignment both of strategy and culture. This combined with periodic research of the market trends combined with close surveillance of regulatory and legal developments leads the directors to conclude that Canon Medical Systems UK is in control of a progressively successful outcome for the company for the foreseeable future.

### Colleagues

‘Colleagues’ means all members of the workforce (employees, agency workers and contractors). CMSUK’s colleagues are central to everything the Company stands for and achieves. Investment in colleagues protects and strengthens the culture and supports CMSUK’s long term strategy and vision. CMSUK’s employee core values which underpin everything else are trust, quality, care and empowerment.

The Company is committed to being the best employer in the sector and achieves this through recruiting the most exceptional individuals, offering competitive remuneration and benefits, and always keeping colleagues’ wellbeing at the forefront. CMSUK conducts comprehensive employee engagement surveys and has developed a number of ongoing initiatives to improve satisfaction, motivation and engagement based on the results of these.

During 2019, the Directors engaged with colleagues directly during a number of Company Roadshows, an annual Company Event and monthly video updates.

A selection of managers representing colleagues from all areas of the business meet monthly to discuss any operational issues, and offer a two way communication between the Directors and the wider organisation. Directors engage with this group on topics of strategic interest and outputs are reported back to the Directors for consideration.

Local challenges affected various parts of our workplace both at our offices and field based personnel. Examples of these included: company car policy as the technology and environmental challenges progress with speed, employee ideas for change were actioned and developing customer trends with innovation required as clinical demands and techniques change.

Constant engagement with employees keeps the companies finger on the pulse of trends evolving in the marketplace and allows the company to adapt with high agility to maintain high relevance with its products and services.

### Customers

As a Company in the healthcare sector, CMSUK’s customers are central to everything the Company does. CMSUK’s mission is to deliver clinical excellence at the forefront of diagnostic imaging technology and to be committed to offering the best service and customer support possible.

Engagement for CMSUK and its customer base are multi-layered. Firstly, there is an independently run full and deep customer satisfaction survey undertaken every two years. This provides granular data on all the items where customer satisfaction is high and in the most recent survey customer satisfaction ranked at 98 to 100% ‘good to excellent’ for CMSUK’s products and also staff. Moreover, after each key customer intervention there is a ‘spot check’ customer satisfaction opportunity where scores are repeatedly 9.6 to 10.0 out of a maximum available ten.

CMSUK’s customer base is predominantly (90%) NHS and these customers are under extreme workload and time pressure. Machine uptime therefore and high quality service delivery are critical.

## Strategic Report (continued)

CMSUK is an open-loop constantly learning organisation and subsequently it is key to the company's culture to constantly review and improve all aspects of service delivery. Much of this is captured through the various ISO standards from 9001 to 14001 to 18001 as well as carbon zero operations under PAS 2060, where constant improvement objectives are set and met.

### Suppliers

The Directors recognise the key role suppliers play in ensuring CMSUK delivers an exceptional service to its customers. The Company is selective about the suppliers it engages to ensure quality is always a priority and endeavours to treat its suppliers as valued stakeholders. CMSUK submits regular payment practices reports and has made improvements in average payment times and query resolution throughout the year.

### Community and Environment

Canon Medical Systems CSR commitments in the UK reach far beyond the products and services provided. Made for Life is a philosophy and tangible series of global, international and national CSR initiatives which focuses on the health of the environment and creating a better society for people in the UK and developing nations.

The Directors have implemented a number of CSR initiatives over recent years, including:

- CMSUK's Carbon Zero programme which not only gives CMSUK Carbon neutral status, but also funds a number of projects in developing countries including Uganda and Kenya via cooking stoves and water boreholes. During 2019, a group of CMSUK employees visited Uganda to see the work that was being done there and to meet some of the families benefiting from these projects.
- CMSUK are proud sponsors of the Support Dogs, a national charity which specialises in training dogs to ensure the safety, independence and wellbeing of people living with epilepsy, autism or disabilities.
- CMSUK are working, in association with the professional basketball team Sheffield Sharks, to deliver a unique programme called 'Respect' which focuses on improving the opportunities for young people to break away from a cycle of disadvantage, giving hope and confidence, plus practical skills to better opportunities in life. The RESPECT programme delivered by Sheffield Sharks is about striving for the greater good. It mirrors CMSUK's own Japanese business culture and the philosophy behind the long-standing 'Made for Life' vision of building relationships that rely on trust, respect and transparency to improve life for all. During 2019, enough money was raised by employees and directors during a charity auction at a Company social event for a minibus to be purchased and donated to the RESPECT programme.

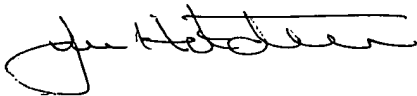
### Principal Decisions

CMSUK is proud of its heritage in research and development at a local level. Whereby key products are developed overseas, the actual application of those products and services in partnership with NHS Trusts and Universities in the UK is key to the company's desire to understand:

- Constantly evolving clinical applications for the benefit of patient safety
  - Constantly evolving clinical applications for faster and more accurate diagnosis
  - Constantly evolving technology applications such as Artificial Intelligence to assist doctors
  - New and developing knowledge of disease processes
  - Urgently developing societal needs to understand lifestyle choice impacts on well being
- CMSUK has and is currently sponsoring numerous Research Fellow and PhD students around the UK, as well as investing in the associated new technologies to assist this knowledge economy. This contribution is culturally important to CMSUK and moreover beneficial in the company's understanding of new techniques, and opportunities, whereby the company can remain at the forefront of innovation for the benefit of all.

## Strategic Report (continued)

On behalf of the Board



Director

Jonathan Mark Hitchman

3<sup>rd</sup> November 2020

Registered No. 00983579 Canon Medical Systems Limited



## Directors' report

The directors present their report and financial statements for the nine months ended 31 December 2019.

### Results and dividends

The profit for the year after taxation amounted to £433,000 (9 M/E 31/12/18 – loss of £458,000). The directors paid an interim dividend of £479,000 (9 M/E 31/12/18 – £543,000). The directors recommend a final dividend of £Nil (9 M/E 31/12/18 – £Nil).

The results and financial position of the Company shown in these financial statements are in line with the expectations of the Board.

### Principal activities and review of the business

The Company supplies and maintains electrical, electronic and mechanical products and services in the medical field.

The results for the year are set out in the income statement on page 15.

The Company aims to continue the development of the products in its market sector in order to build the strength of the Canon Medical brand and achieve sustainable gains in market share.

The directors consider the state of affairs of the Company to be satisfactory and that the level of activity will be maintained.

### Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out above.

Although the current COVID-19 outbreak has had an overall impact on the global economy, the Company has not been directly affected by the recent pandemic on a business or operational level. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. The Company continues to monitor the impact of COVID-19 and has implemented a number of measures to mitigate the risks identified. The Company is taking the necessary steps to minimise the risk of contributing to the spread of the virus, which include restrictions on travel, providing up-to-date resources to all employees and guidance on working remotely. The company has long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The company has considerable financial resources together with existing contracts with a number of customers. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook given the significant positive cash balance. The Directors are also of the view that COVID-19 does not impact the Company's ability to continue as a going concern because the Company has continued to trade despite the ongoing pandemic without interruption. Furthermore, the Company has not experienced any significant delays in its supply chain for raw materials and finished goods resulting in seamless deliveries to customers. This has been made possible with our warehouse staff having direct access to appropriate personal protective equipment (PPE), coupled with our back-office staff working remotely in managing the financial side of the business on a daily basis.

Management have supported the ability of the company to continue on a going concern by preparing a stress test including sensitising the key variables within the cashflow, and in the worst-case scenario the Company still demonstrates significant headroom and thus supporting its going concern assumption.

## Directors' Report (continued)

### Directors

The directors who served the Company during the period and subsequent to the period end were as follows:

J M Hitchman  
M Holmshaw (resigned 1<sup>st</sup> April 2020)  
N Hatakeyama  
T Fukuhira (appointed 1<sup>st</sup> April 2020)

### Statement on BREXIT preparations

The UK is currently in a post-Brexit transition period, keeping most UK EU arrangements as they are now and this is due to expire on 31 December 2020. Due to the international trading nature of the Company, a number of potential business risks have been identified in relation to the expiration of the transition period.

As the Brexit negotiations continue it would appear that there will not be certainty about the exact terms of the UK withdrawal agreement, and how this will practically impact on cross-border trade and transportation, until close to the leaving date and beyond. As a result, for planning towards a smooth continuation of customer support through this risky period we have assumed there will be some delays, and disruption, through customs, as a company that imports directly from our EU hub in Holland.

Canon Medical Systems have therefore decided to take a pragmatic approach to ensure continuity of service to all our customers which will encompass the most likely eventualities. We are not anticipating that the final deal with the EU will lead to potential disruption to regulatory issues which would significantly impact on the accreditation of products. Consequently, we do not anticipate any change to the availability or lead time of new products.

More importantly, we recognise that the most critical issue for patients and customers is to manage the continued and immediate availability of spare parts. We already stock a large number of spares in the UK for seven day support, which we continually replenish from our main European spare parts distribution centre in The Netherlands. Moreover, we believe that our logistics processes will overcome any change to administration required, but the possibility of delays when parts are urgently required is a concern. To overcome this possibility, we have already significantly increased our stock of UK parts to cover a larger range of parts for all our products. In fact, we have secured additional warehouse capacity in multiple UK locations as well as additional distribution channels to better guarantee immediate availability of parts throughout this challenging period.

Finally, we have urged our supply chain to follow the same actions to satisfy ourselves that these suppliers are also taking the appropriate steps to ensure continued supply to us.

We are confident that by taking these measures we will be able to ensure continuity of support to all our customers and make a commitment that no reduction in our high levels of service provision will be experienced.

### Charitable contributions

As part of the Company's commitment to the communities in which it operates, contributions totalling £14,470 were made during the year to a number of small charities in the healthcare sector.

### Post Balance Sheet Events

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

## Directors' Report (continued)

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future period.

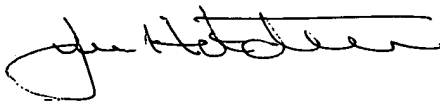
### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

Ernst & Young LLP will not be seeking re-election as auditors and a resolution to appoint Deloitte LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



Director

Jonathan Mark Hitchman

3<sup>rd</sup> November 2020

## Statement of directors' responsibilities

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

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

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

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

# Auditor's Report

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANON MEDICAL SYSTEMS LIMITED

### Opinion

We have audited the financial statements of Canon Medical Systems Limited for the year ended 31 December 2019, which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

### Basis for opinion

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

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

### Conclusions relating to going concern

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

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

### 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.

## **Auditor's Report (continued)**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANON MEDICAL SYSTEMS LIMITED (CONTINUED)**

#### **Other information (Continued)**

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

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

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

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

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

#### **Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's Report (continued)

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANON MEDICAL SYSTEMS LIMITED (CONTINUED)

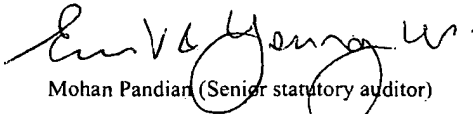
#### Auditor's responsibilities for the audit of the financial statements

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

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

#### Use of our report

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



Mohan Pandian (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

3<sup>rd</sup> November 2020

## Income statement

for the year ended 31 December 2019

		Y/E 31/12/19	9 M/E 31/12/18
	Notes	£000	£000
<b>Turnover</b>	3	62,587	40,965
Cost of sales		(37,131)	(23,934)
<b>Gross profit</b>		25,456	17,031
Distribution costs		(18,579)	(13,251)
Administrative expenses		(5,781)	(4,232)
<b>Operating profit/(loss)</b>	4	1,096	(452)
Interest receivable and similar income	7	8	4
Finance cost – Lease interest	19	(320)	(36)
Other finance cost – pension	16	(192)	(117)
<b>Profit/(Loss) on ordinary activities before taxation</b>		592	(601)
Tax on profit/(loss) on ordinary activities	8	(159)	143
<b>Profit/(Loss) for the period/yearend</b>		433	(458)

## Statement of comprehensive income

for the year ended 31 December 2019

		Y/E 31/12/19	9 M/E 31/12/18
	Notes	£000	£000
<b>Profit/(loss) for the financial year</b>		433	(458)
<b>Other comprehensive income:</b>			
<b>Items that cannot be reclassified to profit or loss:</b>			
Remeasurement (losses)/gains on defined benefit pension plan	16	99	(256)
Tax on remeasurement (losses)/gains on defined benefit pension plan	8	(17)	44
<b>Other comprehensive (losses)/income for the period, net of tax</b>		82	(212)
<b>Total comprehensive income/losses for the period</b>		515	(670)

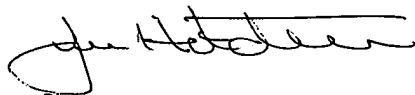


## Balance sheet

at 31 December 2019

		31/12/2019	31/12/2018
	Notes	£000	£000
<b>Fixed assets</b>			
Intangible assets	10	527	606
Tangible assets including right-of-use assets	11	<u>6,386</u>	<u>3,971</u>
		6,913	4,577
<b>Current assets</b>			
Stocks	12	3,119	2,829
Debtors	13	25,221	22,883
Deferred tax asset: amounts falling due more than one year	8	1,975	1,894
Cash at bank and in hand		<u>223</u>	<u>1,182</u>
		30,538	28,788
<b>Creditors: amounts falling due within one year</b>	14	<u>(17,335)</u>	<u>(16,677)</u>
<b>Net current assets</b>		<u>13,203</u>	<u>12,111</u>
<b>Total assets less current liabilities</b>		20,116	16,688
<b>Creditors: amounts falling due after more than one year</b>	15	(7,614)	(4,892)
Pensions and similar obligations	16	<u>(8,043)</u>	<u>(7,373)</u>
<b>Net assets</b>		<u>4,459</u>	<u>4,423</u>
<b>Capital and reserves</b>			
Called up share capital	17	2,130	2,130
Other reserves	18	1,636	1,636
Profit and loss account	18	<u>693</u>	<u>657</u>
<b>Shareholders' funds</b>		<u>4,459</u>	<u>4,423</u>

The financial statements were approved by the board of directors and authorised for issue on 3<sup>rd</sup> November 2020



Director  
Jonathan Mark Hitchman  
3<sup>rd</sup> November 2020

## Statement of changes in equity

at 31 December 2019

	<i>Called up share capital</i>	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
<b>As at 1 April 2018</b>	2,130	1,636	1,870	5,636
Profit for the nine months	-	-	(458)	(458)
Other comprehensive losses	-	-	(212)	(212)
<b>Total comprehensive income</b>	2,130	1,636	1,200	4,966
Equity dividends paid (Note 9)	-	-	(543)	(543)
<b>As at 1 January 2019</b>	2,130	1,636	657	4,423
Profit for the year	-	-	433	433
Other comprehensive income	-	-	82	82
<b>Total comprehensive income</b>	2,130	1,636	1,172	4,938
Equity dividends paid (Note 9)	-	-	(479)	(479)
<b>At 31 December 2019</b>	2,130	1,636	693	4,459

## Notes to the financial statements

at 31 December 2019

### 1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Canon Medical Systems Limited (the “Company” or “Canon”) for the year ended 31 December 2019 were authorised for issue by the board of directors 3<sup>rd</sup> November 2020 and the balance sheet was signed on the board’s behalf by Jonathan Mark Hitchman. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

Canon is incorporated and domiciled in England and Wales. The registered office of the Company is Boundary Court, Gatwick Road, Crawley, West Sussex RH10 9AX.

The Company’s financial statements are presented in Sterling, which is also the Company’s functional currency, and all values are rounded to the nearest thousand pound (£000) except when otherwise indicated. The Company’s financial statements are individual entity financial statements.

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

### 2. Accounting policies

#### 2.1 Basis of preparation

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

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- (b) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- (c) the requirements of IAS 7 *Statement of Cash Flows*;
- (d) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- (e) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ;
- (f) the requirements of paragraphs 10(d), 10 (f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*; and
- (g) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
  - (iii) paragraph 118(e) of IAS 38 *Intangible Assets*; and
- (h) the requirements of paragraphs 52 and 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 *Leases*.

## Notes to the financial statements

As at 31 December 2019

### 2.2 Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial years except for the following amendments to IFRS 101 effective as of 1 January 2019:

#### (a) IFRS 16 : Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and at the date of initial application.

The cumulative effect of initially applying IFRS 16, is recognised at the date of initial application as an adjustment to the opening balance of assets and liabilities. Therefore, the comparative information is not restated.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

The incremental borrowing rates are the rates of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. External IBR specialists calculated these rates using various sources of information, including internal and external evidence of creditworthiness, the nature of the assets held under leases, and the various lease terms.

As the Company had not observable credit rating or publicly traded debt instruments, a synthetic credit rating estimated using a quantitative model has been used. Senior unsecured synthetic credit rating range of B- for the Company has been used for leases on motor vehicles while adjusted Senior unsecured synthetic credit rating range has been used to leases on Office and Warehouse Facility. A benchmark credit yield curves has then been used as a proxy for the company specific yield curve.

#### *Leases previously classified as finance leases*

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

#### *Leases previously accounted for as operating leases*

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

## Notes to the financial statements

As at 31 December 2019

The effect of adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	£000
Right of use assets	2,265
Prepayments	80
<b>Total Assets</b>	<b>2,345</b>
Lease liabilities	2,366
Accruals	(21)
<b>Total Liabilities</b>	<b>2,345</b>

See also note 19.

### 2.3 Going concern

No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the directors. On the basis of their assessment of the Company's financial position the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The company has considerable financial resources together with existing contracts with a number of customers. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook given the significant positive cash balance. The Directors are also of the view that COVID-19 does not impact the Company's ability to continue as a going concern because the Company has continued to trade despite the ongoing pandemic without interruption. Furthermore, the Company has not experienced any significant delays in its supply chain for raw materials and finished goods resulting in seamless deliveries to customers. This has been made possible with our warehouse staff having direct access to appropriate personal protective equipment (PPE), coupled with our back-office staff working remotely in managing the financial side of the business on a daily basis.

Management have supported the ability of the company to continue on a going concern by preparing a stress test including sensitising the key variables within the cashflow, and in the worst-case scenario the Company still demonstrates significant headroom and thus supporting its going concern assumption.

### 2.4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

#### Taxation

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

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date:

#### Pension and other post-employment benefits

The cost of defined benefit pensions plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of

## Notes to the financial statements

As at 31 December 2019

### **2.4 Significant accounting judgements, estimates and assumptions (continued)**

these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 17.

### **2.5 Significant accounting policies**

#### **Revenue Recognition**

Revenue is recognised using the standardised five step model prescribed under IFRS 15. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

#### Sale of goods

Revenue from the sale of goods is recognised when control of the asset is transferred to the customer, which is customarily when the goods are delivered.

#### Service contract arrangements

Revenue from the servicing of contractual arrangements is recognised when the services are provided, with this income generally being recognised on a straight line basis.

#### Lease income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term.

#### **Deferred income**

Deferred income is the unrecognised portion of service contracts which is released to revenue over the period of the contract.

#### **Intangible assets**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

The cost of intangible assets is the amount that the Company has paid or, where there has been an acquisition of a business, the fair value of the specific intangible assets that could be sold separately or which arise from legal rights. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

## Notes to the financial statements

As at 31 December 2019

### 2.5 Significant accounting policies (continued)

Intangible assets with finite lives are amortised over the useful economic life as follows:

Customer relationships – 10 years

Intangibles are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### **Tangible fixed assets**

Plant and equipment are stated at cost less accumulated depreciation. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

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

Motor vehicles	–	3 years
Plant	–	5 years
Furniture, fixtures, fittings and office machines	–	5 years
Computer equipment and software applications	–	3-5 years

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

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

#### **Stocks**

All stocks are stated at the lower of cost and net realisable value. Where necessary an appropriate provision is made to achieve this. Cost includes all costs incurred in bringing each product to its present location and condition. Finished goods includes the cost of direct materials and labour plus attributable overheads based on a normal level of activity, excluding borrowing costs. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### **Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## Notes to the financial statements

As at 31 December 2019

### 2.5 Significant accounting policies (continued)

#### **Foreign currencies**

The Company's financial statements are presented in Sterling, which is also the Company's functional currency. Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### **Leases**

##### Company as a lessee

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company.

In calculating the present value of lease payments, the Company uses the interest rate implicit in the lease, unless this is not known, in which case it uses its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced or the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The Company applies the short term lease recognition exemption to any leases with a lease term of 12 months or less from the commencement date. It also applies the lease of low value assets recognition exemption to leases of assets considered to be low value. Lease payments on short term leases and leases of low value assets are recognised as an expense on a straight line basis over the lease term.

##### Company as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.



## Notes to the financial statements

As at 31 December 2019

### 2.5 Significant accounting policies (continued)

#### Leases (continued)

##### Policy prior to adoption of IFRS 16

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable, including the effect of lease incentives, are charged in the income statement on a straight line basis over the lease term.

Leases where the Company assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases. The leased assets and the corresponding lease liabilities under finance leases are recognised on the balance sheet as fixed assets and amounts due to creditors respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments. The assets are depreciated over the shorter of their useful lives and the remaining lease term. Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

#### Pensions

The Company operates a defined benefit pension scheme with assets held in a trustee-administered fund. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. An independent actuary normally conducts a valuation of the defined benefit pension scheme every three years.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material

reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

## Notes to the financial statements

As at 31 December 2019

### 2.5 Significant accounting policies (continued)

#### *Pensions (continued)*

##### **Provisions for liabilities**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

#### **Financial assets and financial liabilities**

##### **(a) Financial Assets**

Financial assets are classified in accordance with how they are measured on the basis of the corresponding business model and the characteristics of the contractual cash flows. A financial asset is only reclassified from one category to another when there is a change in the business model used to manage the financial assets.

Financial asset acquisitions and disposals are recognized at the trade date, i.e., on the date the Company undertakes to acquire or sell the asset. Upon acquisition they are classified into one of the following categories:

##### *a) Financial assets at amortized cost.*

These are non-derivative financial assets that are held in order to collect their contractual cash flows and those contractual cash flows represent solely payments of principal and interest. They are included in current assets, except for amounts maturing more than 12 months from the end of the reporting period. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Interest income from these financial assets is recognized in finance income; any gain or loss arising on their derecognition and any impairment losses are recognized directly in profit and loss as they arise.

##### *b) Financial assets at fair value through profit or loss*

These are assets that are acquired for sale in the short term. Derivatives are included in this category unless they are designated as hedging instruments. These financial assets are initially recognized and subsequently measured at fair value and any changes in fair value are recognized in profit and loss as they arise.

Equity instruments classified into this category are recognized at fair value and any gain or loss arising from changes in their fair value or as a result of their sale are similarly recognized in profit and loss as they arise.

The fair values of quoted investments are based on quoted prices (fair value hierarchy level 1). The fair value of investments in unlisted entities is established using valuation techniques, which include the use of recent arm's length transactions between knowledgeable, willing parties, reference to other instruments that are substantially the same and discounted cash flow analysis (levels 2 and 3). In the event that the more recent information available is insufficient to measure fair value or there is a wide range of possible fair value measurements and cost represents the best estimate within that range, such investments are recognized at cost less any impairment losses.

## Notes to the financial statements

As at 31 December 2019

### **2.5 Significant accounting policies (continued)**

#### **Financial assets (continued)**

The fair value measurements made in the accompanying financial statements are classified using a fair value hierarchy articulated around the relevance of the inputs used to make the corresponding measurements. The hierarchy categorizes the inputs used in valuation techniques into three levels:

- Level 1 inputs: Fair value measurements based on quoted prices in active markets for identical instruments. These measurements are based on quoted prices at the reporting date.

- Level 2 inputs: Fair value measurements based on inputs that are observable for the asset or liability. The fair value of financial assets included in this category is determined by using valuation techniques. Those valuation techniques maximize the use of available observable market-based inputs and rely as little as possible on entity-specific estimates. If all the significant inputs required to measure fair value are observable, the instrument is included in Level 2. If one or more of the significant inputs required to measure fair value are not observable market inputs, the instrument is included in Level 3.

- Level 3 inputs: Measurements based on inputs that are not based on observable market data.

#### **Financial assets at fair value through profit or loss**

Financial assets are derecognized when the contractual rights to the related cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership of the assets. If substantially all the risks and rewards have been retained, the financial asset is not derecognized; instead the Company recognizes a financial liability in the amount of any consideration received in exchange for the transfer.

Agreements for the transfer of account receivables are considered non-recourse factoring agreements if the risks and rewards of ownership of the receivables have been transferred substantially.

The financial asset impairment model is based on expected credit losses. The Company accounts for expected credit losses, and any changes therein, at every reporting date, to reflect changes in credit risk since the date of initial recognition without waiting for an impairment event to occur.

The Company applies the general expected loss approach for all its financial assets except for trade and other account receivable that do not contain a significant financing component; it applies the simplified approach for those qualifying assets.

Under the general approach, the Company recognizes the expected loss from a financial asset default on either a 12-month or lifetime basis, depending on whether there has been a significant increase in credit risk since initial recognition. Under the simplified approach, the Company recognizes a loss allowance from the outset based on lifetime expected credit losses using available information about past events (such as historical customer default rates), current conditions and forward-looking estimates (macroeconomic factors such as the outlook for GDP, unemployment, inflation, interest rates, etc.) that could affect the creditworthiness of its debtors.

#### **Financial liabilities**

##### **a) Financial liabilities at amortized cost**

Trade and other current accounts payable are financial liabilities and are initially recognized at fair value; they do not explicitly accrue interest and are recognized at their face value.

##### **b) Financial liabilities at fair value through profit or loss**

These are liabilities that are acquired for sale in the short term. Derivatives are included in this category unless they are designated as hedging instruments. These financial liabilities are initially recognized and subsequently measured at fair value and any changes in fair value are recognized in profit and loss as they arise.

## Notes to the financial statements

As at 31 December 2019

### 2.5 Significant accounting policies (continued)

#### Other financial liabilities

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Other financial liabilities include trade payables and Intercompany loans, which are executed on a short-term basis.

Trade payables generally have 30 day settlement terms, and are recognised and carried at their original invoiced value.

Intercompany loans are executed with the parent entity, bear interest and have 60 day settlement terms. Intercompany loans are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. The loans bear interest at market rates.

#### Offsetting of financial instruments

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

### 3. Turnover

Turnover is recognised from the sale and service of electrical, electronic and mechanical products in the medical field. Turnover arises wholly in the United Kingdom and is outlined as follows:

	Y/E 31/12/19	9 M/E 31/12/18
	£000	£000
Sale of goods	31,019	22,259
Servicing contractual arrangements	24,006	16,683
Managed equipment services/Solutions	7,562	2,023
	<u>62,587</u>	<u>40,965</u>

### 4. Operating profit/(loss)

This is stated after charging:

	Y/E 31/12/19	9 M/E 31/12/18
	£000	£000
Auditor's remuneration – audit fees	58	56
– non-audit fees – taxation	25	7
Loss on disposal of fixed assets	(45)	(1)
Depreciation of plant and equipment inc ROU assets	1,958	550
Amortisation of Intangibles	79	59

## Notes to the financial statements

As at 31 December 2019

### 5. Directors' remuneration

	Y/E 31/12/19 £000	9 M/E 31/12/18 £000
Directors' remuneration	262	157
Amounts receivable under long term incentive plans	-	-
<i>Number of directors accruing benefits under:</i>		
Defined benefit schemes	1	1
<i>In respect of the highest paid director:</i>		
Aggregate remuneration	262	157

### 6. Staff costs

	Y/E 31/12/19 £000	9 M/E 31/12/18 £000
Wages and salaries	9,976	7,099
Social security costs	1,404	1,092
Other pension costs (refer to note 16 )	2,339	1,712
	<u>13,719</u>	<u>9,903</u>

The number of employees at the end of the year was made up as follows:

	No.	No.
Sales, distribution and service	136	128
Administration	23	20
	<u>159</u>	<u>148</u>

### 7. Interest receivable and similar income

	Y/E 31/12/19 £000	9 M/E 31/12/18 £000
Bank deposits (payable)/receivable	8	4
Interest (payable)/receivable from Financial Assets	-	-
	<u>8</u>	<u>4</u>

## Notes to the financial statements

As at 31 December 2019

### 8. Taxation

#### (a) Tax charged in the income statement

The tax charge is made up as follows:

	Y/E 31/12/19 £000	9 M/E 31/12/18 £000
<b>Current income tax:</b>		
UK corporation tax on the profit for the year	256	-
Under/(Over) provision in respect of prior years	-	42
<b>Total current income tax</b>	<b>256</b>	<b>42</b>
<b>Deferred income tax:</b>		
Origination and reversal of temporary differences	(106)	(76)
Under/(Over) provision in respect of prior years	9	(109)
<b>Total deferred tax</b>	<b>(97)</b>	<b>(185)</b>
<b>Total tax expense in the income statement</b>	<b>159</b>	<b>(143)</b>

#### (b) Tax relating to items charged or credited to other comprehensive income

The tax charge is made up as follows:

	Y/E 31/12/19 £000	9 M/E 31/12/18 £000
<b>Current income tax:</b>		
Tax on defined benefit pension scheme	-	-
<b>Total current income tax</b>	<b>-</b>	<b>-</b>
<b>Deferred income tax:</b>		
Actuarial (losses)/gains on defined benefit pension plans	17	(44)
Impact of change in tax laws and rates	-	-
<b>Total deferred tax</b>	<b>17</b>	<b>(44)</b>
<b>Total tax expense in the statement of other comprehensive income</b>	<b>17</b>	<b>(44)</b>

## Notes to the financial statements

As at 31 December 2019

### 8. Taxation (continued)

#### (c) Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (9 M/E 31/12/18 – 19%). The differences are explained below:

	Y/E 31/12/19 £000	9 M/E 31/12/18 £000
Profit/(loss) on continuing activities before tax	592	(601)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (9 M/E 31/12/18 – 19%)	112	(114)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	37	17
Other timing differences	(86)	-
Other	87	21
Under/(Over) provision in respect of prior years	9	(67)
Total tax for the year	159	(143)

#### (c) Unrecognised tax losses

The Company has no tax losses that are available indefinitely for offset against future taxable profits of the Company.

#### (d) Change in the corporate tax rates

The UK corporation tax rate was reduced from 20% to 19% effective 1 April 2017. Further reductions in the UK tax rate to 17% from 1 April 2020 were announced in the 2016 Budget, and substantively enacted on 6 September 2016. However, it was announced as part of the 2020 Budget that the UK rate of corporation tax will now remain at 19% from 1 April 2020. Any deferred tax expected to reverse in the period to 31 March 2020 has been re-measured using the rates substantively enacted at 31 December 2019.

#### (d) Deferred taxation

The deferred tax included in the Company balance sheet is as follows:

	Y/E 31/12/19 £000	9 M/E 31/12/18 £000
<b>Deferred tax asset</b>		
Timing differences	608	641
Defined pension plan	1,367	1,253
Total deferred tax asset	1,975	1,894

## Notes to the financial statements

As at 31 December 2019

### 9. Dividends

Dividends were paid as follows:

	Y/E 31/12/19 £000	9 M/E 31/12/18 £000
Interim dividend for Y/E 31/12/19 22.5p per share (9 M/E 31/12/18: 25.5p per share)	479	543
Total	<u>479</u>	<u>543</u>

### 10 Intangible assets

	Total £000
<b>Cost and net book value</b>	
At 1 <sup>st</sup> December 2018	606
Amortisation	(79)
At 31 December 2019	<u>527</u>

On 5 September 2016, the Company acquired the trade, service contracts, fixed assets and inventory of Medical Imaging Northern Ireland Ltd. The acquisition offers a channel to sell medical imaging products in a new region. The fair value on acquisition of the acquired customer relationships amounting to £789,679 was identified and included in intangible assets.



## Notes to the financial statements

As at 31 December 2019

### 11. Tangible fixed assets including right of use assets

	<i>Plant and motor vehicles £000</i>	<i>Fixtures, fittings and office equipment £000</i>	<i>Computer equipment and software applications £000</i>	<i>Rental assets £000</i>	<i>Right of Use Assets £000</i>	<i>Total £000</i>
<b>Cost:</b>						
At 31 Dec 2018	890	987	728	655	3,148	6,408
Opening adjustment IFRS 16	-	-	-	-	2,265	2,265
Additions	299	38	157	15	1,791	2,300
Disposals	-	(5)	(19)	(57)	(197)	(278)
At 31 Dec 2019	1,189	1,020	866	613	7,007	10,695
<b>Depreciation:</b>						
At 31 Dec 2018	598	757	547	245	290	2,437
Charge for the year	152	51	128	97	1,531	1,959
Disposals	-	(1)	(19)	(53)	(14)	(87)
At 31 Dec 2019	750	807	656	289	1,807	4,309
<b>Net book value:</b>						
At 31 Dec 2019	439	213	210	324	5,200	6,386
At 31 Dec 2018	292	230	181	410	2,858	3,971

Rental assets are assets owned by the Company and rented to customers.

See note 19 for detailed information on assets held under leases.

### 12. Stocks

Stocks represent finished goods held for resale and items used for demonstration purposes.

	<i>Y/E 31/12/19 £000</i>	<i>9 M/E 31/12/18 £000</i>
Finished goods	1,414	1,990
Spare parts	1,705	839
	<u>3,119</u>	<u>2,829</u>

## Notes to the financial statements

As at 31 December 2019

### 13. Debtors

	Y/E 31/12/19 £000	9 M/E 31/12/18 £000
Trade debtors	12,401	14,006
Amounts owed by group undertakings	11,373	7,724
Prepayments and accrued income	1,447	1,093
Corporation tax	-	60
	<u>25,221</u>	<u>22,883</u>

Amounts owed by group undertakings are receivable on credit terms of 60 days and does not attract interest unless the amount remains outstanding after 60 days, in which interest is earned at market rates.

### 14. Creditors: amounts falling due within one year

	Y/E 31/12/19 £000	9 M/E 31/12/18 £000
Trade creditors	2,426	1,783
Finance lease liabilities	998	585
Operating lease liabilities	456	-
Amounts owed to group undertaking	1,245	3,538
Other taxes and social security costs	1,199	1,453
Corporation taxation	197	-
Accruals and deferred income	10,814	9,318
	<u>17,335</u>	<u>16,677</u>

Amounts owed to group undertakings are payable on credit terms of 60 days, and will attract interest at market rates if the amount remains unpaid after 60 days.

### 15. Creditors: amounts falling due after more than one year

	Y/E 31/12/19 £000	9 M/E 31/12/18 £000
Finance lease liabilities	2,227	2,291
Operating lease liabilities	1,761	-
Deferred income	3,626	2,601
	<u>7,614</u>	<u>4,892</u>

## Notes to the financial statements

As at 31 December 2019

### 16. Pensions

#### Defined benefit plan

The Company operates a defined benefit occupational pension scheme called the Toshiba Medical Systems Limited Retirement Benefits Scheme. The assets of the scheme are held separately from the assets of the Company and are administered by the trustees and managed professionally.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The last valuation was carried out at 1<sup>st</sup> April 2017 by Barnett Waddingham, independent consulting actuaries.

The ONS and the government have outlined a proposal to change the RPI inflation statistic, to bring RPI into line with the CPIH index. The former Chancellor Sajid Javid indicated in his letter dated 4<sup>th</sup> September 2019 that he was open to introducing this change at some point between 2025 and 2030. If the proposal goes ahead unchanged, then it is expected that RPI after 2030 will be around 1% pa lower after the change. This change to the definition of RPI has been allowed for via a further reduction of 0.3% pa to the single equivalent inflation rate after the reduction for the inflation risk premium.

The Employer pays 20.5% (9 M/E 31/12/18 – 20.5%) of pensionable earnings in respect of the future accrual of benefits, the administration expenses and the deficit recovery contributions. The total contributions to the scheme in the next year are expected to be £1,320,000 for the Company (Y/E 31/03/18 – £1,331,000).

The Company accounted for pension costs during the year under IAS19. The disclosures show a net deficit of £8,043,000 (9 M/E 31/12/18 – deficit of £7,373,000).

The assets and liabilities of the scheme at the period end date are:

	31/12/19 £000	31/12/18 £000
<b>Scheme assets</b>		
Equities	22,255	18,141
Diversified Growth Fund	11,150	8,816
Bonds	4,737	4,198
Gilts	1,973	1,750
Cash & Other assets	178	212
<b>Fair value of scheme assets</b>	<b>40,293</b>	<b>33,117</b>
<b>Present value of scheme liabilities</b>	<b>(48,336)</b>	<b>(40,490)</b>
<b>Defined benefit pension plan deficit</b>	<b>(8,043)</b>	<b>(7,373)</b>

## Notes to the financial statements

As at 31 December 2019

### 16. Pensions (continued)

The pension scheme has not invested in any of the Company's own financial instruments nor in other assets used by the Company.

The amounts recognised in the Income Statement and in the Statement of Comprehensive Income for the year are analysed as follows:

*Recognised in the Income Statement*

	Y/E 31/12/19	9 M/E 31/12/18
	£000	£000
Current service cost	2,339	1,712
Past service costs	-	-
Recognised in arriving at operating profit	<u>2,339</u>	<u>1,712</u>

The net interest on the defined benefit liability for the year was £192,000 (9 M/E 31/12/18 was £117,000).

*Taken to the Statement of Comprehensive Income*

	Y/E 31/12/19	9 M/E 31/12/18
	£000	£000
Return on plan assets (excluding amounts included in net interest expense)	(4,929)	1,423
Experience losses on liabilities	-	-
Actuarial changes arising from changes in demographic assumptions	-	755
Actuarial changes arising from changes in financial assumptions	<u>4,830</u>	<u>(1,922)</u>
Recognised in the Statement of Comprehensive Income	<u>(99)</u>	<u>256</u>

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

	Y/E 31/12/19	9 M/E 31/12/18
	£000	£000
<b>Changes in the present value of the defined benefit obligations are analysed as follows:</b>		
At 1 April / 1 Jan	40,490	39,580
Current service cost	2,339	1,712
Contributions by Scheme participants	22	288
Interest on benefit obligation	1,187	795
Benefits paid	(512)	(700)
Administration costs	(20)	(18)
Experience loss on liabilities	-	-
Actuarial (loss)/gain	<u>4,830</u>	<u>(1,167)</u>
At 31 December	<u>48,336</u>	<u>40,490</u>

## Notes to the financial statements

As at 31 December 2019

### 16. Pensions (continued)

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

At 1 April / 1 Jan	33,117	33,305
Interest income on plan assets	995	678
Contributions by employer	1,762	987
Contributions by Scheme participants	22	288
Benefits paid	(512)	(700)
Administration costs	(20)	(18)
Actuarial (loss)/gain	4,929	(1,423)
At 31 December	40,293	33,117

Pension contributions are determined with the advice of independent qualified actuaries, Barnett Waddingham, on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets. The most recently completed actuarial valuation of the Company's main retirement benefits schemes was carried out as at 1<sup>st</sup> April 2017.

The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments, the rate of future pensionable salary increases and the level of pension increases.

	Y/E 31/12/19 £000	9 M/E 31/12/18 £000
Total market value of assets	40,293	33,117
Present value of the scheme's liabilities	(48,336)	(40,490)
Deferred taxation at 17% (prior years – 17%)	1367	1,253
Net deficit in the scheme	(6,676)	(6,120)
<b>Assumptions</b>	%	%
Discount rate	2.05	2.95
Rate of inflation – RPI	2.50	3.30
Rate of inflation – CPI	2.05	2.30
Salary growth	3.05	3.30
Rate of increase in pensions in deferment	2.05	2.30
Rate of increase in pensions in payment (LPI 5%)	2.45	3.15
Mortality tables	100% of S2PXA CMI 2017 model with 1.25% pa long-term rate	100% of S2PXA CMI 2017 model with 1.25% pa long-term rate
Mortality improvements	25% of pension	25% of pension
Cash commutation allowance		
<b>Assumed life expectancies on retirement at 65</b>		
Retiring today – Males	87.1	87.0
– Females	89.0	88.9
Retiring in 20 years – Males	88.5	88.4
– Females	90.5	90.4

## Notes to the financial statements

As at 31 December 2019

### 16. Pensions (continued)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

<i>Assumption</i>	<i>Change in assumption</i>	<i>Impact on scheme liabilities</i>
Discount rate	Increase/decrease by 0.5%	£(5,060,000) / £5,900,000
Pension increases	Increase/decrease by 0.5%	£2,560,000 / £(2,320,000)
Rate of salary increases	Increase/decrease by 0.5%	£1,870,000 / £(1,740,000)

The total contributions to the defined benefit schemes in 2021 are expected to be £1,760,000 (2020: £1,320,000).

The Company has agreed the following funding objectives with trustees:

1. To return the ongoing funding level of the schemes to 100% of the projected past service liabilities within a period of 3 years measured in accordance with IAS 19;
2. Once the funding level of the schemes are 100% of the projected past service liabilities to maintain funding at least at this level; and
3. To meet the liabilities of the schemes in the event that the schemes are wound-up.

The levels of contributions are based on the current service costs and the expected future cash flows of the defined benefit schemes. The Company estimates the present value of the duration of UK scheme liabilities on average fall due over 23 years.

#### Defined Contribution Plan

The Company made contributions totalling £80,824 during the year ended 31/12/19 (9 M/E 31/12/18 - £3,553) to a separate defined contribution pension scheme.

### 17. Called up share capital

Canon Medical Systems has 2,130,000 authorised shares at a value of £1 per share. The following table outlines the movement in shares issued and fully paid:

	<i>Y/E</i> <i>31/12/19</i>		<i>9 M/E</i> <i>31/12/18</i>	
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Opening Ordinary shares of £1 each	2,130,000	2,130	2,130,000	2,130
Issued shares	-	-	-	-
Closing Ordinary shares of £1 each	2,130,000	2,130	2,130,000	2,130

## Notes to the financial statements

As at 31 December 2019

### 18. Reserves

The following table outlines the movement on reserves:

	<i>Other reserves</i>	<i>Profit and loss account</i>
	<i>£000</i>	<i>£000</i>
At 1 January 2019	1,636	657
Profit for the period	-	433
Dividend	-	(479)
Adjustment to deferred tax on pension deficit	-	(17)
Actuarial loss on pension	-	99
As at 31 December 2019	<u>1,636</u>	<u>693</u>

#### *Other reserves*

Other reserves represents a capital contribution from the immediate parent Company.

### 19. Leases

#### **Company as a lessee**

The Company has lease contracts for various buildings, machinery and vehicles used in its operations. Leases of buildings have lease terms ranging between 3 years and 35 years, while motor vehicles and machinery generally have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

#### **IFRS 16 Transition Approach**

The Company has adopted IFRS 16 using the **modified retrospective approach**, from application date (01/01/19).

The following practical expedients have been utilized:

- Exclude leases with remaining term <12 months as at 01/01/19.
- Portfolio approach – apply single discount rate to groups of similar assets
- Initial direct costs will be excluded from the measurement of ROU assets

Before the adoption of IFRS, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to note 2.5 for the accounting policy prior to 1 January 2019.

See also note 2.2.

## Notes to the financial statements

As at 31 December 2019

### 19. Leases (continued)

#### Discount Rates

The weighted average discount rates used were as follows:

- Machinery 3.74%
- Motor Vehicles 8.71%
- Buildings 6.59%

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018, as follows:

	<i>£000</i>
Operating lease commitments as at 31 Dec 2018	4,182
Weighted average incremental borrowing rate at 1 Jan 2019	7.4%
Discounted operating lease commitments as at 1 Jan 2019	3,396
Less:	
Commitments with remaining lease term <12 months at 1 Jan 2019	(233)
Commitments relating to leases reclassified during 2019	(798)
Add:	
Commitments relating to leases previously classified as finance leases	2,876
Lease liabilities as at 1 January 2019	<u>5,241</u>

#### Reconciliation of lease liabilities as at 31/12/18 to 31/12/19:

	<i>Buildings</i>	<i>Motor Vehicles</i>	<i>Machinery</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
As at 31/12/18 per 2018 financial statements	-	-	2,876	2,876
Opening adjustment IFRS16	1,774	591	-	2,365
New leases	101	226	612	939
Reclassified during 2019			860	860
Interest charged	118	48	156	322
Payments made	(264)	(375)	(1,115)	(1,754)
Disposals			(166)	(166)
As at 31/12/19	<u>1,729</u>	<u>490</u>	<u>3,223</u>	<u>5,442</u>



## Notes to the financial statements

As at 31 December 2019

### 19. Leases (continued)

Amounts recognised in profit or loss for the period:

	Y/E 31/12/19	9 M/E 31/12/18
	£000	£000
Depreciation expense of leased assets	1,531	270
Interest expense on lease liabilities	320	36
Expense related to operating leases IAS17	-	1,358
Expense for leases with remaining lease term <12m at 01/01/19 (included in admin expenses)	233	-
Expense relating to lease of low value assets (included in admin expenses)	8	6
Total amount recognised in profit or loss	2,092	1,670

#### Company as a lessor:

The Company rents ultrasound scanners to its customers, usually on a short term, rolling basis as dictated by the customer's individual needs. The majority of these agreements require customers to issue an annual purchase order and are invoiced quarterly.

The future minimum lease payments due to the Company under non-cancellable operating leases amounted to £97,000 as at 31 December 2019. These were all due within a period not later than one year.

The total income from operating leases during the year ended 31 December amounted to £382,000 representing 0.6% of total sales revenue.

### 20. Contingent liabilities

The Company holds a £20,000 guarantee with HM Revenue and Customs in respect of value added tax deferred on imports.

### 21. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries of Canon Inc.

### 22. Ultimate parent undertaking and controlling party

It is the opinion of the directors that the ultimate parent undertaking and controlling party as at 31 December 2019 is Canon Inc., a Company incorporated in Japan, whose registered address is 30-2 Shimomatuko, 3-Chome, Ohta-Ku Tokyo, 146-8501, Japan and the immediate parent undertaking is Canon Medical Systems Europe B.V. whose registered address is Zilverstraat 1, 2718RP Zoetermeer, The Netherlands.

The financial statements of these companies are available from their registered offices, as stated above.

## Notes to the financial statements

As at 31 December 2019

### 23. Post Balance Sheet Events

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

Although the current COVID-19 outbreak has had an overall impact on the global economy, the Company has not been directly affected by the recent pandemic on a business or operational level. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. The Company continues to monitor the impact of COVID-19 and has implemented a number of measures to mitigate the risks identified. The Company is taking the necessary steps to minimise the risk of contributing to the spread of the virus, which include restrictions on travel, providing up-to-date resources to all employees and guidance on working remotely. The company has long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future period.