

Canon New Zealand Limited

NZBN 9429039312112

Annual Report - 31 December 2022

The directors present their report, together with the financial statements, on the company for the year ended 31 December 2022.

With the unanimous agreement of all shareholders, the company has taken advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993.

The directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which fairly present the financial position of the company as at 31 December 2022 and its financial performance for the year ended on that date.

The directors consider that the financial statements of the company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The directors have responsibility for the maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The directors consider they have taken adequate steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

This report is made in accordance with a resolution of directors, pursuant to section 211(1)(k) of the Companies Act 1993.

On behalf of the directors



Kotaro Fukushima
Director



David Field
Director

17 May 2023

Canon New Zealand Limited
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31 December 2022



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Canon New Zealand Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2022



	Note	2022 \$'000	2021 \$'000
Revenue			
Revenue from sale of goods	4	53,837	59,096
Revenue from rendering of services	4	37,226	37,262
Revenue from lease activities		5,603	4,719
		<u>96,666</u>	<u>101,077</u>
Cost of sales		<u>(58,331)</u>	<u>(65,528)</u>
Gross profit		<u>38,335</u>	<u>35,549</u>
Other income	5	112	62
Interest revenue		107	4
Expenses			
Selling and distribution expenses		(6,260)	(6,260)
Administrative expenses		(28,081)	(25,903)
Reversal/(impairment of receivables)		44	(155)
Finance costs	6	<u>(198)</u>	<u>(211)</u>
Profit before income tax expense		4,059	3,086
Income tax expense	7	<u>(789)</u>	<u>(1,106)</u>
Profit after income tax expense for the year attributable to the owners of Canon New Zealand Limited		3,270	1,980
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to the owners of Canon New Zealand Limited		<u><u>3,270</u></u>	<u><u>1,980</u></u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Canon New Zealand Limited
Statement of financial position
As at 31 December 2022

Canon

	Note	2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	16,313	23,656
Trade and other receivables	9	26,741	24,088
Contract assets	10	1,641	1,639
Inventories	11	13,985	9,387
Other		402	925
Total current assets		<u>59,082</u>	<u>59,695</u>
Non-current assets			
Receivables	12	23,030	22,058
Property, plant and equipment	13	4,529	5,389
Right-of-use assets	14	7,140	8,190
Intangibles	15	260	631
Deferred tax	16	2,092	1,813
Total non-current assets		<u>37,051</u>	<u>38,081</u>
Total assets		<u>96,133</u>	<u>97,776</u>
Liabilities			
Current liabilities			
Trade and other payables	17	23,559	15,329
Contract liabilities	18	648	1,217
Lease liabilities	19	1,714	1,609
Income tax		456	1,824
Employee benefits		2,645	2,771
Provisions	20	123	123
Total current liabilities		<u>29,145</u>	<u>22,873</u>
Non-current liabilities			
Lease liabilities	21	6,058	7,243
Total non-current liabilities		<u>6,058</u>	<u>7,243</u>
Total liabilities		<u>35,203</u>	<u>30,116</u>
Net assets		<u>60,930</u>	<u>67,660</u>
Equity			
Issued capital	22	2,000	2,000
Reserves	23	48,082	48,082
Retained profits		10,848	17,578
Total equity		<u>60,930</u>	<u>67,660</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Canon New Zealand Limited
Statement of changes in equity
For the year ended 31 December 2022



	Issued capital \$'000	Common control Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 January 2021	2,000	48,082	15,598	65,680
Profit after income tax expense for the year	-	-	1,980	1,980
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,980	1,980
Balance at 31 December 2021	2,000	48,082	17,578	67,660
	Issued capital \$'000	Common control Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 January 2022	2,000	48,082	17,578	67,660
Profit after income tax expense for the year	-	-	3,270	3,270
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	3,270	3,270
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 24)	-	-	(10,000)	(10,000)
Balance at 31 December 2022	2,000	48,082	10,848	60,930

The above statement of changes in equity should be read in conjunction with the accompanying notes

Canon New Zealand Limited
Statement of cash flows
For the year ended 31 December 2022

Canon

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		106,981	118,817
Payments to suppliers and employees (inclusive of GST)		<u>(99,717)</u>	<u>(115,745)</u>
		7,264	3,072
Interest received		107	4
Interest and other finance costs paid		(198)	(211)
Income taxes paid		<u>(2,436)</u>	<u>(500)</u>
Net cash from operating activities		<u>4,737</u>	<u>2,365</u>
Cash flows from investing activities			
Payments for property, plant and equipment	13	(1,084)	(1,121)
Payments for intangibles	15	(99)	(49)
Proceeds from disposal of property, plant and equipment		258	615
Proceeds from release of security deposits		<u>600</u>	<u>-</u>
Net cash used in investing activities		<u>(325)</u>	<u>(555)</u>
Cash flows from financing activities			
Repayment of lease liabilities		(1,755)	(1,624)
Dividends paid	24	<u>(10,000)</u>	<u>-</u>
Net cash used in financing activities		<u>(11,755)</u>	<u>(1,624)</u>
Net (decrease)/increase in cash and cash equivalents		(7,343)	186
Cash and cash equivalents at the beginning of the financial year		<u>23,656</u>	<u>23,470</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>16,313</u></u>	<u><u>23,656</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Canon New Zealand Limited as an individual entity. The financial statements are presented in New Zealand dollars, which is Canon New Zealand Limited's functional and presentation currency.

Canon New Zealand Limited is a company limited by shares.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 17 May 2023.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

There are no new or amended Accounting Standards and Interpretations issued by the External Reporting Board ('XRB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

Statutory base

Canon New Zealand Limited is a company registered under the Companies Act 1993.

Statement of compliance

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP') and the requirements of the Companies Act 1993 and the Financial Reporting Act 2013.

The company qualifies for New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR') on the basis that it has no public accountability and is not a large for-profit public sector entity. The company has elected to report in accordance with NZ IFRS RDR and applied all of the available disclosure concessions.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

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

Rounding of amounts

Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

Foreign currency translation

The financial statements are presented in New Zealand dollars, which is Canon New Zealand Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 2. Significant accounting policies (continued)

Revenue recognition

The company recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is at the time of delivery or installation of business printing machines.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price, an hourly rate, or variable rate per volume on business printing machines.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets

Contract assets are recognised when the company has transferred goods or services to the customer but where the company is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Inventories

Finished goods are stated at the lower of cost and net realisable value on a moving average cost basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Note 2. Significant accounting policies (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	1-11 years
Motor vehicles	4-5 years
Office equipment	2-15 years
Rental assets	2-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 2. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3-5 years.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the company has transferred the goods or services to the customer.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Provisions

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Note 2. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 4. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	2022 \$'000	2021 \$'000
<i>Major product lines</i>		
Revenue from sale of goods	53,837	59,096
Revenue from services	37,226	37,262
	<u>91,063</u>	<u>96,358</u>
<i>Geographical regions</i>		
New Zealand	<u>91,063</u>	<u>96,358</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	53,837	59,096
Services transferred over time	37,226	37,262
	<u>91,063</u>	<u>96,358</u>

Note 5. Other income

	2022 \$'000	2021 \$'000
Net foreign exchange gain	11	18
Net gain on disposal of property, plant and equipment	101	44
Other income	<u>112</u>	<u>62</u>

Note 6. Expenses

	2022 \$'000	2021 \$'000
Profit before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges paid/payable on lease liabilities	<u>198</u>	<u>211</u>

Note 7. Income tax expense

	2022 \$'000	2021 \$'000
<i>Income tax expense</i>		
Current tax	1,215	1,296
Deferred tax - origination and reversal of temporary differences	(279)	(216)
Adjustment recognised for prior periods	(147)	26
	<u>789</u>	<u>1,106</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 16)	(279)	(216)
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	4,059	3,086
Tax at the statutory tax rate of 28%	1,137	864
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenditure	22	57
Current year adjustment	(223)	159
	<u>936</u>	<u>1,080</u>
Adjustment recognised for prior periods	(147)	26
Income tax expense	<u>789</u>	<u>1,106</u>

Note 8. Current assets - cash and cash equivalents

	2022 \$'000	2021 \$'000
Cash at bank	<u>16,313</u>	<u>23,656</u>

Note 9. Current assets - trade and other receivables

	2022 \$'000	2021 \$'000
Trade receivables	10,721	9,063
Less: Allowance for expected credit losses	(281)	(298)
	<u>10,440</u>	<u>8,765</u>
Lease receivables	16,625	15,679
Less: Allowance for expected credit losses	(591)	(610)
	<u>16,034</u>	<u>15,069</u>
Receivable from related party (note 27)	129	149
Other receivables	138	105
	<u>26,741</u>	<u>24,088</u>

Allowance for expected credit losses

The company has recognised a net gain of \$44,000 (2021: net loss of \$155,000 in respect of expected credit losses) in profit or loss in respect of the reversal of expected credit losses for the year ended 31 December 2022.

Note 9. Current assets - trade and other receivables (continued)

Lessor commitments (NZ IFRS 16)

The following table details the amount committed at 31 December 2022 and recognised as an asset, lease receivables.

	2022 \$'000	2021 \$'000
Within 1 year	16,625	15,679
Between 1 and 2 years	11,313	11,252
Between 2 and 3 years	7,678	6,973
Between 3 and 4 years	3,654	3,766
Between 4 and 5 years	1,146	958
More than 5 years	148	-
Total commitments	<u>40,564</u>	<u>38,628</u>
Less: Future finance charges	-	-
Net commitment recognised as assets	<u>40,564</u>	<u>38,628</u>
Representing		
Lease receivable - current	16,625	15,679
Lease receivable - non-current	<u>23,939</u>	<u>22,949</u>
	<u>40,564</u>	<u>38,628</u>

Refer to note 12 for further information on non-current lease receivables.

Note 10. Current assets - contract assets

	2022 \$'000	2021 \$'000
Contract assets	<u>1,641</u>	<u>1,639</u>

Note 11. Current assets - inventories

	2022 \$'000	2021 \$'000
Finished goods	<u>13,985</u>	<u>9,387</u>

Note 12. Non-current assets - receivables

	2022 \$'000	2021 \$'000
Lease receivables	23,939	22,949
Less: Allowance for expected credit losses	<u>(909)</u>	<u>(891)</u>
	<u>23,030</u>	<u>22,058</u>

Refer to note 9 for further information on lessor commitments.

Note 13. Non-current assets - property, plant and equipment

	2022 \$'000	2021 \$'000
Leasehold improvements - at cost	3,033	3,013
Less: Accumulated depreciation	(1,694)	(1,447)
	<u>1,339</u>	<u>1,566</u>
Plant and machinery - at cost	119	125
Less: Accumulated depreciation	(119)	(125)
	<u>-</u>	<u>-</u>
Motor vehicles - at cost	1,831	1,466
Less: Accumulated depreciation	(990)	(926)
	<u>841</u>	<u>540</u>
Computer equipment - at cost	1,533	1,571
Less: Accumulated depreciation	(1,448)	(1,426)
	<u>85</u>	<u>145</u>
Office equipment - at cost	3,607	3,550
Less: Accumulated depreciation	(2,918)	(2,787)
	<u>689</u>	<u>763</u>
Rental assets - at cost	7,026	7,749
Less: Accumulated depreciation	(5,451)	(5,374)
	<u>1,575</u>	<u>2,375</u>
	<u><u>4,529</u></u>	<u><u>5,389</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Leasehold improve- ments \$'000	Motor vehicles \$'000	Computer equipment \$'000	Office equipment \$'000	Rental assets \$'000	Total \$'000
Balance at 1 January 2022	1,566	540	145	763	2,375	5,389
Additions	34	668	12	197	173	1,084
Disposals	(1)	(13)	(1)	(31)	(111)	(157)
Depreciation expense	(260)	(354)	(71)	(240)	(862)	(1,787)
Balance at 31 December 2022	<u>1,339</u>	<u>841</u>	<u>85</u>	<u>689</u>	<u>1,575</u>	<u>4,529</u>

Rental assets above consist of assets leased to certain customers.

Note 14. Non-current assets - right-of-use assets

	2022 \$'000	2021 \$'000
Land and buildings - right-of-use	13,522	12,999
Less: Accumulated depreciation	(6,382)	(4,809)
	<u>7,140</u>	<u>8,190</u>

Note 14. Non-current assets - right-of-use assets (continued)

The company leases land and buildings for its offices under agreements of between 2 to 12 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The company also leases plant and equipment under agreements of between 3 to 4 years.

The company leases office equipment under agreements of less than 3 years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Land and buildings \$'000
Balance at 1 January 2022	8,190
Additions	675
Depreciation expense	<u>(1,725)</u>
Balance at 31 December 2022	<u><u>7,140</u></u>

Note 15. Non-current assets - intangibles

	2022 \$'000	2021 \$'000
Software - at cost	5,071	5,100
Less: Accumulated amortisation	<u>(4,811)</u>	<u>(4,469)</u>
	<u><u>260</u></u>	<u><u>631</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Software \$'000
Balance at 1 January 2022	631
Additions	99
Amortisation expense	<u>(470)</u>
Balance at 31 December 2022	<u><u>260</u></u>

Note 16. Non-current assets - deferred tax

	2022 \$'000	2021 \$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	79	79
Provisions and accruals	1,052	944
Accelerated depreciation for tax purposes	(80)	(75)
Other	1,041	865
Deferred tax asset	<u>2,092</u>	<u>1,813</u>
<i>Movements:</i>		
Opening balance	1,813	1,597
Credited to profit or loss (note 7)	279	216
Closing balance	<u>2,092</u>	<u>1,813</u>

Note 17. Current liabilities - trade and other payables

	2022 \$'000	2021 \$'000
Trade payables	2,679	492
Payables to related party (note 27)	14,785	8,871
Other payables and accruals	6,095	5,966
	<u>23,559</u>	<u>15,329</u>

Note 18. Current liabilities - contract liabilities

	2022 \$'000	2021 \$'000
Contract liabilities	<u>648</u>	<u>1,217</u>

Note 19. Current liabilities - lease liabilities

	2022 \$'000	2021 \$'000
Lease liability	<u>1,714</u>	<u>1,609</u>

Note 19. Current liabilities - lease liabilities (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2022 \$'000	2021 \$'000
As at 1 January	8,852	10,127
Additions	675	349
Accretion of interest	198	211
Payments	(1,953)	(1,835)
As at 31 December	<u>7,772</u>	<u>8,852</u>
Current	1,714	1,609
Non-current (note 21)	6,058	7,243
	<u>7,772</u>	<u>8,852</u>

Note 20. Current liabilities - provisions

	2022 \$'000	2021 \$'000
Warranties	<u>123</u>	<u>123</u>

Warranties

The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

Note 21. Non-current liabilities - lease liabilities

	2022 \$'000	2021 \$'000
Lease liability	<u>6,058</u>	<u>7,243</u>

Refer to note 19 for further information.

Note 22. Equity - issued capital

	2022 Shares	2021 Shares	2022 \$'000	2021 \$'000
Ordinary shares - fully paid	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000</u>	<u>2,000</u>

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 23. Equity - reserves

	2022 \$'000	2021 \$'000
Common control reserve	<u>48,082</u>	<u>48,082</u>

Common control reserve

The reserve recognises the difference between the carrying value and consideration transferred for amalgamation of entities that are under common control.

Note 24. Equity - dividends

Dividends paid during the financial year were as follows:

	2022 \$'000	2021 \$'000
Dividends paid during the year ended 31 December 2022	<u>10,000</u>	<u>-</u>

Note 25. Key management personnel disclosures

Compensation

The aggregate compensation made to key management personnel of the company is set out below:

	2022 \$'000	2021 \$'000
Aggregate compensation	<u>1,732</u>	<u>1,638</u>

Note 26. Contingent liabilities

The company had no contingent liabilities as at 31 December 2022 (2021: none).

Note 27. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 25.

Transactions with related parties

The following transactions occurred with related parties:

	2022 \$'000	2021 \$'000
Sale of goods and services:		
Sale of goods to commonly controlled entity	1,371	1,438
Sale of services to controlling entity	1,654	2,239
Payment for goods and services:		
Purchase of goods from commonly controlled entities of the parent	1	15
Purchase of goods from controlling entity	30,817	39,420
Payment for management fees from controlling entity	1,068	1,098
Payment for other expenses:		
Other expenses paid to commonly controlled entities	4,361	4,539

Note 27. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2022 \$'000	2021 \$'000
Current receivables:		
Receivables from related party	129	149
Current payables:		
Payables to related party	14,785	8,871

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 28. Non-cash investing and financing activities

	2022 \$'000	2021 \$'000
Additions to the right-of-use assets	<u>675</u>	<u>349</u>

Note 29. Events after the reporting period

Subsequent to year end, the company has undertaken some organisational restructuring to proactively position itself for anticipated medium-term market developments. These decisions and actions have not impacted the financial results of the current reporting period as presented in the financial statements.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Independent Auditor's Report to the Members of Canon New Zealand Limited

Opinion

We have audited the financial statements of Canon New Zealand Limited (the "Entity") which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Entity's financial position as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Entity in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the Entity, except that partners and employees of our firm deal with the Entity on normal terms within the ordinary course of trading activities of the business of the Entity.

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

Responsibilities of the Directors for the Financial Statements

The directors of the Entity are responsible on behalf of the Entity for the preparation and fair presentation of the financial statements in accordance with NZ IFRS RDR, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) 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.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



DELOITTE TOUCHE TOHMATSU



E. Angelucci
Partner
Chartered Accountants
Sydney, 17 May 2023