Olympus Finance UK Limited

Report and Financial Statements

31 March 2018

Directors
Mr Yasutoshi Fujiwara
Mr Yasuo Takeuchi

Secretary
Abogado Nominees Limited
100 New Bridge Street
London
EC4V 6JA

Auditors
Ernst & Young LLP
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Luton
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Strategic report

The Directors present their strategic report for the year ended 31 March 2018.

Principal activities and review of the business

The principal activities of the company comprise group treasury services lending to other group entities and managing intercompany financing.

On 8 November 2011 the company's parent undertaking, Olympus Corporation, announced the existence of a loss separation scheme. Under the loss separation scheme Olympus Corporation sought, amongst other things, to hide losses incurred by the Group in connection with investment and derivative transactions previously undertaken by the Group.

In relation to the loss separation scheme implemented by the company's parent undertaking, Olympus Corporation, the Group was subject to criminal and regulatory investigations in Japan, the United States and the United Kingdom. On 10 November 2015 not guilty verdicts were formally entered against Gyrus Group Limited and Olympus Corporation on all counts. The prosecution proceedings have now formally concluded.

The profit for the year, after taxation, is €1,571,000 (2017: €735,000).

The company's key financial and other performance indicators during the year were as follows:

	2018	*2017*	*Change*
	€000	*€000*	*%*
Operating interest receivable and similar income	4,069	2,004	+103.2
Operating Profit	2,834	735	+285.6
Profit for the financial year	1,571	735	+113.7
Shareholder's equity	387,526	385,955	+0.4
Current assets as % of current liabilities ('quick ratio')	52426.7%	203.4%	-

Operating interest receivable and similar income increased by 103.2%, mainly due to the increased dividend received from its subsidiary.

Operating profit increased by 285.6% during the year. This rising was principally caused by the increased dividend received.

Profit after tax increased by 113.7%. This rising was principally caused by the increased dividend received offset by settlement of HMRC enquiry.

Shareholder's equity increased by 0.4%. This is mainly caused by increasing retained earnings due to the profit after tax for the year ended 31 March 2018.

The company's 'quick ratio' (current assets as a percentage of current liabilities) has changed significantly due to decrease of short term loan to a group company and short term borrowing from a bank.

Strategic report

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include the effects of credit risk, interest rate risk, cash flow risk, liquidity risk and foreign exchange risk. The company monitors and takes action in each of these areas as follows:

Credit risk

The company's principal financial assets are bank balances and cash, intercompany receivables, and investments. The company's credit risk is primarily attributable to its intercompany receivables. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event, which, based on previous experiences, is evidence of a reduction in the recoverability of the cash flow. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are group companies and global banks with good credit-rating assigned by international credit-rating agencies.

Interest rate risk

The interest rate risk for the company is not considered material as the company's interest receivable on all loan notes is at rates that are fixed throughout the contract period.

Cash flow risk

The company's multi-currency activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company uses foreign exchange forward contacts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Foreign exchange risk

The foreign exchange risk for the company is effectively managed as the company's major receivable and payable are traded in Euro.

On behalf of the Board

Yasuo Takeuchi
Director
28 June 2018

Directors' report

Registered No. 07163766

The directors present their report and financial statements for the year ended 31 March 2018.

Directors

The directors who served the company during the year were as follows:

Yasuo Takeuchi
Yasutoshi Fujiwara

Dividends

The directors do not propose the payment of a dividend in the year.

Future developments

The company intends to continue operating in the areas of group treasury services and intercompany financing for the foreseeable future.

Financial instruments

The company finances its activities with a combination of bank loans, intercompany loans, cash and short term deposits. Other financial assets, such as intercompany loan receivables, arise directly from the company's operating activities. The company also enters into derivative transactions, such as forward currency contracts. The purpose is to manage currency risks arising from the company's operations and its sources of finance.

Financial instruments give rise to credit, interest rate, liquidity and foreign exchange risk. Information on how these risks arise is set out in the Strategic Report, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Going concern

The company's business activities together with the factors likely to affect its future performance and position are set out in the Strategic report.

The company has sufficient financial resources and support from the parent undertaking, and continues to operate as a European based financial service provider for group companies. Consequently, the directors believe the company has an effective framework for its business risks and that it is well managed.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Political and charitable contributions

The company made no political contributions or donations to UK charities during the year (2017 – nil).

Directors' report

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

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

Yasuo Takeuchi
Director
25 June 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK 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 Financial Reporting Standard 101 – *Reduced Disclosure Framework* ('FRS101') and in accordance with applicable accounting standard and law.

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 for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 a going concern basis unless they consider that to be inappropriate.

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.

Independent auditor's report

To the members of Olympus Finance UK Limited

Opinion

We have audited the financial statements of Olympus Finance UK Limited for the year ended 31 March 2018 which comprise the Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Balance Sheet, and the related notes1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified 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.

The historical cost of the investment in preference shares of Gyrus Group Limited and the amount of the related Olympus Corporation distribution is based on an estimate of the fair value of those shares on the date of acquisition. This estimate was dependent upon assumptions made by the directors about the continued support and actions of the company's ultimate parent undertaking in maintaining the underlying income stream and facilitating the ultimate repayment of the principal loan amounts at the end of the loan contract years as at various dates during the accounting year. Whilst the directors have represented that they provided all of the information available to them and requested by us in relation to this matter, we have not been provided with sufficient information and explanations to enable us to form an opinion as to whether the assumptions made by the directors were appropriate and we were unable to obtain sufficient appropriate evidence by using other audit procedures.

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

Independent auditor's report (continued)

To the members of Olympus Finance UK Limited

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.

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

Matters on which we are required to report by exception

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

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

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

Independent auditor's report (continued)

To the members of Olympus Finance UK Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Anup Sodhi (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28/6/18

Income statement

for the year ended 31 March 2018

	Notes	2018 €000	2017 €000
Operating interest receivable and similar income	3	4,069	2,004
Operating interest payable and similar charges	4	(852)	(633)
Other operating expense		(383)	(636)
Operating profit	5	2,834	735
Profit on ordinary activities before taxation		2,834	735
Tax expense	9	(1,263)	-
Profit for the financial year		1,571	735

Statement of comprehensive income

for the year ended 31 March 2018

There is no other comprehensive income attributable to the shareholder of the company other than the profit for the year.

Statement of changes in equity

for the year ended 31 March 2018

	Called up share capital €000	*Retained earnings €000*	*Total Equity €000*
At 1 April 2016	336,925	48,295	585,220
Profit for the financial year	-	735	735
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	735	735
Equity dividends paid	-	-	-
At 31 March 2017	336,925	49,030	385,955
Profit for the financial year	-	1,571	1,571
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,571	1,571
Equity dividends paid	-	-	-
At 31 March 2018	336,925	50,601	387,526

Balance sheet

at 31 March 2018

	Notes	2018 €000	2017 €000
Fixed assets			
Investments	10	365,020	365,020
Current assets			
Loans and receivables	11	-	30,009
Cash at bank and in hand		22,549	11,181
		22,549	41,190
***Creditors:** amounts falling due within one year*			
Interest bearing borrowings	12	-	20,000
Accruals and deferred income		43	255
		43	20,255
Net current assets		**22,506**	**20,935**
Total assets less current liabilities		**387,526**	**385,955**
Net assets		**387,526**	**385,955**
Capital and reserves			
Called up share capital	14	336,925	336,925
Retained earnings		50,601	49,030
Total equity		**387,526**	**385,955**

Yasuo Takeuchi

Director

28 June 2018

Notes to the financial statements

at 31 March 2018

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

Olympus Finance UK Limited ("Company") is a limited company incorporated and domiciled in England and Wales. The registered office is 100 New Bridge Street, London, EC4V 6JA.

The financial statements of the Company for the year ended 31 March 2018 were authorised for issue by the board of directors on 27June 2018 and the balance sheet was signed on the board's behalf by Yasuo Takeuchi.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Euro and all values are rounded to the nearest thousand euro(€000) except when otherwise indicated.

The Company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Olympus Corporation and the results of the Company are included in the consolidated financial statements of Olympus Corporation which are publicly available from Shinjuku Monolith, 3-1 Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 163-0914, Japan.

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 March 2018.

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

(a) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of *IFRS 3 Business Combinations,*

(b) 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*;

(c) the requirements of paragraphs 10(d), 10(f) and 39(c) of IAS 1 *Presentation of Financial Statements*;

(d) the requirements of IAS 7 *Statement of Cash Flows;*

(e) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;

(f) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*

(g) 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 transactions is wholly owned by such a member ; and

(h) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets.*

Notes to the financial statements

at 31 March 2018

2. Accounting policies (continued)

2.2 Judgements and key sources of estimation uncertainty

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:

Investments

Management judgement is required to consider the existence of impairment indicator for Investment in subsidiary by assessing investee's financial position and estimated future cash flow with setting some assumptions to measure its fair value, if any. To fairly present the amount of Investment, the management is required to judge the necessity of impairment for Investment in subsidiary.

Functional currency

Management judgement is required to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity by considering a number of factors or indicators set out in the relevant standard. Once the functional currency is determined, it may be changed only if there is a change to those underlying transactions, events and conditions.

Uncertain tax position

Management judgement is required to assess in any uncertain tax position and to consider the necessity of recording related tax provision. To fairly present the amount of tax provision, the management is required to investigate all potential uncertain tax position by inquiring of tax specialists and obtaining all accessible information, if any. Based on the investigation and assessment, the management is required to determine the provision amount to be recorded in its balance sheet.

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 9.

2.3 Significant accounting policies

a) Foreign currencies

The Company's financial statements are presented in Euro, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded in the Company'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 into the functional currency at the 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.

Notes to the financial statements

at 31 March 2018

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

b) Investments

Investment in a subsidiary is held at historical cost less any applicable provision for impairment. The carrying value of investment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

c) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operating are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

d) 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.

e) Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, intercompany loan receivables, and derivative financial instruments.

Notes to the financial statements

at 31 March 2018

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

e) Financial Instruments (continued)

i) Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

This category generally applies to the Company's trade and other receivables. For more information on receivables, refer to note 11.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indicators that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or the other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount the present value of estimated future cash flows. The estimated future cash flows are discounted at the financial asset's original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in the income statements. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Notes to the financial statements

at 31 March 2018

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

e) Financial Instruments (continued)

ii) Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Interest bearing loans and borrowings

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.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

iii) Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.
For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 13.

iv) Derivative financial instruments and hedging

The Company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.
The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Notes to the financial statements

at 31 March 2018

2. Accounting policies (continued)

2.3 *Significant accounting policies (continued)*

f) Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three month or less.

g) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

ii) Interest income

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

iii) Dividends

Revenue is recognised when the Company's right to receive payment is established.

3. Operating interest receivable and similar income

	2018	*2017*
	€000	*€000*
Interest income from group loans	-	9
Bank interest receivable	-	-
Total interest income for financial assets measured at amortised cost	-	9
Dividend income from shares in group undertakings	4,069	1,995
Total operating interest receivable and similar income	4,069	2,004

Notes to the financial statements

at 31 March 2018

4. Operating interest payable and similar charges

	2018	*2017*
	€000	*€000*
Interest expenses on others	191	-
Other finance expenses	661	633
Total operating interest payable and similar charges	852	633

5. Operating profit

This is stated after charging/(crediting):

	2018	*2017*
	€000	*€000*
Auditors' remuneration (note 6)	290	309
Professional services	15	4
Net foreign currency exchange differences	2	213
Other operating expenses	76	110

6. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2018	*2017*
	€000	*€000*
Audit of the financial statements	32	40
Total audit services	32	40
Other assurance services	38	52
Taxation compliance services	16	17
Taxation advisory services	204	200
Total non-audit services	258	269
	290	309

Notes to the financial statements

at 31 March 2018

7. Directors' remuneration

A list of Directors who served during the year is shown in the Directors' Report. The directors have not received any emoluments from the Company in respect of qualifying services.

Mr Yasuo Takeuchi is also a director of Olympus Corporation, Gyrus Group limited, Olympus KeyMed Group Limited, Olympus Corporation of Asia Pacific Limited, Olympus Korea Co Ltd., Olympus(China) Co.,Ltd., and Chairman of Olympus Corporation of the Americas and Supervisory board(Chairman) of Olympus Europa Holding SE and Administrative board of Olympus Europa Management SE.

Mr Yasutoshi Fujiwara is also a director of Gyrus Group limited.

8. Staff costs

There were no employees for the year ended 31 March 2018 (2017 – nil).

9. Taxation

a) Tax charged in the income statement

	2018	*2017*
	€000	*€000*
Current tax:		
UK corporation tax	-	-
Adjustment in respect of prior years	1,263	-
Total current income tax	1,263	-
Deferred tax:		
Total deferred tax	-	-
Tax expense in the income statement	1,263	-

b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is lower than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018	*2017*
	€000	*€000*
Profit on ordinary activities before tax	2,834	735
Tax calculated at UK standard rate of corporation tax of 19%(2017 : 20%)	538	147
Settlement of HMRC enquiry	1,263	-
Income not taxable	(769)	(399)
Unrecognised tax losses carried forward	231	252
Total tax expense reported in the income statement	1,263	-

Notes to the financial statements

at 31 March 2018

9. Taxation (continued)

c) Unrecognised tax losses

The Company has tax losses which arose in the UK of €8,081,000 (2017: €15,576,000) that are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as there is uncertainty over the recoverability

d) Change in Corporation tax rate

The UK corporation tax rate will reduce to 17% effective from 1 April 2020. This tax rate reduction was substantively enacted in September 2016.

10. Investments

	Investments in subsidiary €000
Cost:	
At 31 March 2017 and 2018	365,020
Amounts provided:	
At 31 March 2017 and 2018	-
Carrying amount:	
At 31 March 2017 and 2018	365,020

On 22 March 2010 the Company acquired 100% of the preference shares in Gyrus Group Limited, a company incorporated in England and Wales, whose principal activity is also group treasury services, from Axam Investments Limited for a consideration of US$620,000,000. The Directors determined the initial cost to be the estimated fair value of the preference shares at the date of acquisition which was US$432,935,000 (£288,932,000).

Given the circumstances in which the transactions described above took place, the directors treated the excess amount paid by the company for the preference shares, of approximately US$187 million, as a distribution by the company to Olympus Corporation. As the company did not have sufficient distributable reserves at the date of acquisition to make the distribution, no distribution should have been made and the directors consider that the amount of the distribution should be repaid by Olympus Corporation. Following a request by the company to Olympus Corporation, Olympus Corporation has repaid the amount of the distribution on 21 December 2012.

On 26 March 2013 the Company acquired 36,768,005 of the ordinary shares in Gyrus Group Limited from Olympus Corporation. By way of consideration, the company issued and allotted 1 ordinary share of GBP1 each in the share capital of the company to Olympus Corporation.

On 27 March 2013, 176,981,106 of the preference shares in Gyrus Group Limited were re-designated as ordinary shares.

Notes to the financial statements

at 31 March 2018

11. Loans and receivables

	2018	2017
	€000	€000
Within one year		
Amounts owed by group undertakings	-	30,009

Short term loans are denominated in Euro and are provided to the group company. These loans represent fixed rate loans and have various maturity dates.

12. Financial liabilities: interest-bearing borrowings

Borrowings comprise the following

	2018	2017
	€000	€000
Current		
Short-term bank loans	-	20,000
	-	20,000

Bank loans	2018	2017
Bank loans comprise the following:	€000	€000
EUR fixed rate loan Apr 2017 of maturity	-	20,000
	-	20,000

Loan facilities

The Company, together with its subsidiary and ultimate parent company has established credit facilities with three banks as noted below:

Sumitomo Mitsui Banking Corporation	JPY 55,000,000,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd	JPY 35,000,000,000
Mizuho Bank Ltd	JPY 5,000,000,000

These credit facilities have been established to provide ongoing financial support for the Olympus Group's ongoing business development.

There are no outstanding loans at the balance sheet date.

Notes to the financial statements

at 31 March 2018

13. Financial instruments

a) Financial risk management

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowing. The Company operates as a group treasury company. The Company borrows funds and lends these funds to its group companies.

The Company is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company borrows in various currencies normally in order to meet specific lending or investment opportunities, at predominantly fixed rates of interest.

Interest rate sensitivity

The sensitive analysis excludes all non-derivative fixed rate financial instruments carried at amortised cost. The company does not hold any non-derivative floating rate financial instruments nor financial instruments recognised at fair value. Therefore, the exposure to changes in interest rates is not material and no interest rate sensitivity analysis is disclosed.

Notes to the financial statements

at 31 March 2018

13. Financial instruments (continued)

a) Financial risk management (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

The Company takes steps to reduce the potential for such effects by maintaining its currency exposures through the use of forward currency exchange contracts, and by maintaining asset and liability exposures in matched currencies.

Forward foreign currency

Currency forwards represent commitments to purchase or sell foreign and domestic currency, including undelivered spot transactions. Foreign currency forwards are contractual obligations to receive or pay a net amount based on changes in currency rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organised financial market.

Forward currency exchange contracts are measured at fair value through profit and loss. The foreign currency exchange contact balances vary with the level of expected foreign currency expenses, forecast foreign currency cash flows and changes in foreign exchange forward rates.

The terms of the foreign currency forward contacts match the terms of the expected highly probable forecast transactions.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the Euro against each foreign exchange rate with all other variables held constant, of the Company's profit before tax.

	Change in Euro vs GBP/US$	*Effect on profit before tax €000*
2018		
US dollar/Euro	+10%	-
	-10%	-
2017		
GBP/Euro	+10%	(181)
	-10%	222

Notes to the financial statements

at 31 March 2018

13. Financial instruments (continued)

a) Financial risk management (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Financial assets which potentially subject the Company to concentrations of credit risk, consist principally of cash, short term deposits and loans to group companies. The Company's cash and short term deposits are placed with high credit quality financial institutions. Historically, loans to group companies have proved effective in minimising the level of impaired and past due debtors. As such the Company is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet the payment obligations associated with its financial liabilities when they fall due.

The table below summarises the maturity profile of the Company's financial liabilities as at 31 March 2018 and 2017 based on contractual undiscounted payments.

Year ended 31 March 2018	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
	€000	*€000*	*€000*	*€000*	*€000*	*€000*
Non-derivative Financial liabilities						
Borrowings	-	-	-	-	-	-
	-	-	-	-	-	-

Year ended 31 March 2017	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
	€000	*€000*	*€000*	*€000*	*€000*	*€000*
Non-derivative Financial liabilities						
Borrowings	-	20,000	-	-	-	20,000
	-	20,000	-	-	-	20,000

Notes to the financial statements

at 31 March 2018

13. Financial instruments (continued)

b) Fair value of financial assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements.

	31 March 2018		31 March 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	€000	*€000*	*€000*	*€000*
Financial assets				
Loans and receivables				
Cash and cash equivalents	22,549	22,549	11,181	11,181
Group loan receivables	-	-	30,009	30,009
Fair value through profit and loss				
Financial liabilities				
Amortised cost				
Interest-bearing loans and borrowings:				
Bank loans	-	-	20,000	20,000

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorder fair value that are not based on observable market data.

During the reporting period ending 31 March 2018, there were also no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Notes to the financial statements

at 31 March 2018

13. Financial instruments (continued)

Financial instruments measured at amortised cost

The fair value disclosures in respect of financial instruments measured at amortised costs are as follows:

2018	Level 1 *€000*	Level 2 *€000*	Level 3 *€000*
Financial assets measured at amortised cost			
Group loan receivables	-	-	-
Financial liabilities measured at amortised costs			
Interest-bearing loans and borrowings			
Bank loans	-	-	-

2017	Level 1 *€000*	Level 2 *€000*	Level 3 *€000*
Financial assets measured at amortised cost			
Group loan receivables	-	30,009	-
Financial liabilities measured at amortised costs			
Interest-bearing loans and borrowings			
Bank loans	-	20,000	-

Notes to the financial statements

at 31 March 2018

14. Authorised, issued and called up share capital

Share capital

Allotted, called up and fully paid		*2018*		*2017*
Ordinary shares of £1 each	*No.*	*€000*	*No.*	*€000*
At 31 March	266,693,002	336,925	266,693,002	336,925

There were no movements in share capital during the period.

On 26 March 2013, the Company acquired 36,768,005 of the ordinary shares in Gyrus Group Limited from Olympus Corporation. By way of consideration, the Company issued and allotted 1 ordinary shares of GBP in the share capital of the Company to Olympus Corporation.

15. Reserves

The only reserves are the Retained earnings which represents the accumulated gains and losses.

16. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. During the year, the Company entered into transactions, in the ordinary course of business, with other related parties.

17. Ultimate parent undertaking and controlling party

The immediate, ultimate and controlling parent undertaking is Olympus Corporation, a company incorporated in Japan.

The group financial statements of Olympus Corporation are available to the public and may be obtained from Olympus Corporation, Shinjuku Monolith, 3-1 Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 163-0914, Japan.