

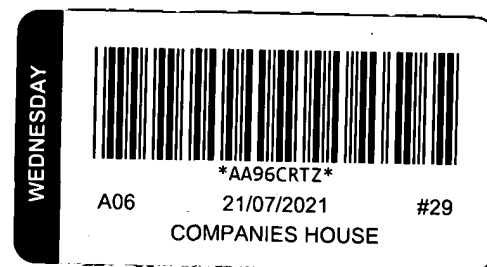
16 July 2021

Romax Technology Limited

Annual report and financial statements

Registered number 02345696

31 December 2020



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Strategic report

The principal activity of the Company is to provide technical solutions in the form of software and engineering consultancy services, specifically in drivetrain and electro-mechanical drive systems on both a national and international basis.

On 16 June 2020 Hexagon Metrology Inc, a subsidiary of Hexagon Metrology AB, purchased 100% of the share capital of Romax Technology Limited.

The key performance indicators used by management to assess the development of the business are analysed below:

Turnover for the period ended 31 December 2020 was £9.1m (Mar 2020: £14.2m).

The operating profit for the period ended 31 December 2020 was £0.8m (Mar 2020: £0.4m loss).

The company has net current assets of £7.9m (Mar 2020: £8.7m), including £2.1m (Mar 2020: £7.4m) of cash at bank and in hand.

Average headcount, one of the Company's key non-financial measures decreased from 143 at 31 March 2020 to 139 at 31 December 2020.

During the period £0.6m (Mar 2020: £0.3m) of government grants, which are presented within Other operating income and expenses, were received to support some of our specific research and development activities.

The directors remain confident of continued development and growth within the existing business.

Key performance indicators

The Directors monitor a number of financial key performance indicators including invoicing contract backlog, revenue and sales pipeline growth, operating profit and cash generated from operations. The directors also monitor non-financial key performance indicators including customer satisfaction levels, headcount, pipeline growth, staff utilisation and retention.

Principal risks and uncertainties

The following are the principal risks to the achievement of the Company's strategic objectives. The Company has risk management processes in place for risks across the business.

COVID

As with many businesses in the UK, the Company has been impacted by the COVID pandemic. Initially this had a significant impact on both trading activity and cash flows but since the lifting of the first national lockdown, trading has recovered strongly with the core businesses now operating at pre lockdown levels (despite the various local lockdowns which remain in place).

During the first national lockdown the Company sought to preserve cash flow by making use of the government furlough scheme and deferring certain creditor payments. With the post lockdown recovery, all furloughed employees were re-introduced into the business by the end of April and all creditor payments were quickly returned to agreed terms.

Brexit

The directors do not currently anticipate any significant impact on the Company's trading following the post Brexit deal on 31st December 2020, given that trade between the UK and the EU is limited.

Customers and markets

The Company is dependent on a dynamic marketplace exposed to many external pressures and macroeconomic factors, which could result in delayed orders or loss of business. These risks are mitigated by a broad diversification across a variety of sectors and regions.

Technology and innovation

The business has to continually innovate and develop new technologies to meet customer needs and to maintain its market position. To manage this risk, the business invests in conjunction with key customers and partners, a substantial amount of resources on research and technology development.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

People

Attracting and retaining the best talent is essential to delivering the strategy. This risk is managed via proactive recruitment and internal talent management.

Contract performance

A significant proportion of the Company's revenue arises from fixed price consultancy contracts exposed to reduced margins if costs and liabilities to complete these contracts increase from their initial estimates. These risks are proactively managed by clearly defined bid controls and project management processes.

Compliance with laws and regulations

The Company's activities are subject to a wide range of international laws and regulations, and third parties may obtain patent or other proprietary rights that could restrict our ability to sell our products or services. To mitigate these risks, the Company takes external professional advice where considered necessary and actively certifies the origins of its products and services through patent searches and protections

Financial risks

The principal financial risks are disclosed in the directors' report.

By order of the board



Mr A Montgomery
Director

16 July 2021

Directors' report

The Directors present their report and the financial statement for the period from 1 April 2020 to 31 December 2020.

Principal activities

The principal activity of the Company is to provide technical solutions in the form of software and engineering consultancy services, specifically in drivetrain and electro-mechanical drive systems on both a national and international basis.

The subsidiary and associated undertakings of the Company in the period are listed in note 11 to the financial statements.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of the signing of this report.

The Company's forecast and projections are based on current performance conditions where the business is trading in line with expectations. Future available cash has been determined by applying conservative assumptions to the Company's forecasts and projections, taking account of downside risks of future trading performance. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in note 1 of the financial statements.

Financial risk management

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The Company does not use derivative financial instruments.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. Foreign exchange forward contracts are not used to hedge these risks and net exchange rate risk is reviewed after natural hedging on a contract basis.

Credit risk

The Company's principal financial assets are bank balances, cash and trade receivables.

The principal credit risk is in respect of its trade receivables. Contract cash flow is actively monitored, and terms include upfront payments to ensure projects remain cash positive over the delivery period wherever possible.

The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance is made when there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the 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- and short-term finance which is made available from finance companies, investors and its bankers. Further details regarding the liquidity risk can be found in the statement of accounting policies in the financial statements.

Dividends

The directors recommend that no dividend be paid on the ordinary shares (*Mar 2020: £nil*).

Directors' report *(continued)*

Directors

The directors, who served throughout the period and subsequently, were as follows:

Dr SY Poon	(resigned 16 June 2020)
Mr A Poon	(resigned 16 June 2020)
Mr D Poon	(resigned 16 June 2020)
Mr J Behrendt	(resigned 16 June 2020)
Mr J Lowther	(resigned 16 June 2020)
Dr X Hu	(resigned 16 June 2020)
Mr R Poon	(resigned 16 June 2020)
Mr J Janevic	(appointed 16 June 2020; resigned 29 June 2020)
Mr D Mills	(appointed 16 June 2020)
Mr A Montgomery	(appointed 29 June 2020)

Company Secretary: Eight Roads Services (UK) Limited (resigned 16 June 2020)
Helen Peall (appointed 16 June 2020)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through regular formal and informal communication meetings, along with the company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial period have been included in the Strategic Report on page 1.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Mr A Montgomery
Director

Romax Technology Limited
Cedar House
78 Portsmouth Road
Cobham
Surrey
KT11 1HY

16 July 2021

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 the company 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Romax Technology Limited

Opinion

We have audited the financial statements of Romax Technology Limited ("the company") for the period ended 31 December 2020 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.



Independent auditor's report to the members of Romax Technology Limited (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes;
- Considering remuneration incentive schemes and performance targets.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are limited incentives, rationalizations and opportunities to fraudulently adjust revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation of some of the Company-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.



Independent auditor's report to the members of Romax Technology Limited (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

o going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



Independent auditor's report to the members of Romax Technology Limited *(continued)*

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

A handwritten signature in black ink, appearing to read 'Anthony Hambleton', with a stylized flourish at the end.

Anthony Hambleton *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Dated: 16 July 2021

Profit and loss account and other comprehensive income
for the period ended 31 December 2020

	<i>Note</i>	9-month period to 31 Dec 2020 £000	Year ended 31 Mar 2020 £000
Turnover	2	9,112	14,160
Cost of sales		(3,278)	(5,118)
Gross profit		<u>5,834</u>	<u>9,042</u>
Administrative expenses		(6,946)	(8,028)
Administrative income/(expenses) – adjusted items	3	1,309	(1,834)
Other operating income and expense	3	568	432
Operating profit/(loss)		<u>765</u>	<u>(388)</u>
Profit on disposal of Associate investment	11	-	3,447
Other interest receivable and similar income	7	3	16
Profit before taxation		<u>768</u>	<u>3,075</u>
Tax on profit	8	(137)	(120)
Profit for the financial year		<u>631</u>	<u>2,955</u>
Total comprehensive income for the year		<u>631</u>	<u>2,955</u>

Balance sheet
at 31 December 2020

	Note	Dec 2020		Mar 2020	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9	73		50	
Tangible assets	10	283		426	
Investments	11	192		192	
		548		668	
Current assets					
Debtors	12	13,515		12,068	
Cash at bank and in hand		2,132		7,426	
		15,647		19,494	
Creditors: amounts falling due within one year	14	(7,704)		(10,773)	
Net current assets		7,943		8,721	
Net assets		8,491		9,389	
Capital and reserves					
Called up share capital	17	31		31	
Capital redemption reserve		71		71	
Share based payment reserve	16	-		1,529	
Profit and loss account		8,389		7,758	
Shareholders' funds		8,491		9,389	

These financial statements were approved by the board of directors on 16th July 2021 and were signed on its behalf by:



Mr A Montgomery
Director

Company registered number: 02345696

Notes

(forming part of the financial statements)

1 Accounting policies

Romax Technology Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK. The registered number is 02345696 and the registered address is Cedar House, 78 Portsmouth Road, Cobham, Surrey, KT11 1HY.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s ultimate parent undertaking, Hexagon AB, includes the Company in its consolidated financial statements. The consolidated financial statements of Hexagon AB are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from www.hexagon.com. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of ultimate parent undertaking include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share-based Payments*; and,
- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, which includes a 20% reduction on sales, and the anticipated impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

In particular, the directors have taken into consideration cashflow projections from potential stress scenarios regarding the duration of the current COVID-19 lockdown and the timing of recovery as the measures on social distancing are eased, along with the company’s existing cash resources.

The current unprecedented economic environment has created uncertainty in relation to the timing of a return to normal service for our customers and therefore for the Company, although the Company continued with its operations in the period of lockdowns. There is no reason that any further periods of lockdown will change these operational patterns.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3. Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4. Classification of financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5. Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes (continued)

1 Accounting policies (continued)

1.6. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Leasehold land and buildings	- 20 years' straight line
Computer equipment	- straight line 3 to 5 years
Motor vehicles	- straight line over 5 years
Leasehold improvements	- straight line 5 to 7 years
Office equipment	- straight line over 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.7. Intangible fixed assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- computer software 5 years

The basis for choosing these useful lives is technology advancements.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

1.8. Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

1.9. Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.9 Impairment (continued)

Non-financial assets

The carrying amounts of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Share-based payment transactions

Share-based payment arrangements in which the entity receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the entity.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured based on an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the entity receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the entity's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.11. Turnover

Turnover is stated net of VAT and trade discounts.

Supply of services

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year. Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Any loss is immediately recognised.

Supply of goods

Turnover from the sale of goods is recognised when the goods are physically delivered to the customer.

Where a sale transaction is for goods and services (typically the sale of a perpetual software licence with a support package), the sale transaction is unbundled using the residual fair value method. Under this method, the fair value of the support package is initially deferred and recognised over the period of the contract. The remaining revenue is allocated to the sale of the software licence and recognised at the point that a customer is provided with a licence.

1.12. Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.13. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Turnover

	Dec 2020 £000	Mar 2020 £000
Sale of software licenses and support packages	5,722	7,465
Rendering of services	314	1,627
Software royalties	3,076	5,068
	<hr/>	<hr/>
Total turnover	9,112	14,160
	<hr/> <hr/>	<hr/> <hr/>
	Dec 2020 £000	Mar 2020 £000
UK	132	812
Asia	3,752	6,480
Rest of World	5,228	6,868
	<hr/>	<hr/>
Total turnover	9,112	14,160
	<hr/> <hr/>	<hr/> <hr/>

3 Other operating income and adjusted items

	Dec 2020 £000	Mar 2020 £000
Other operating income		
Government grants	568	346
Net gain on disposal of tangible assets	-	86
	<hr/>	<hr/>
	568	432
	<hr/> <hr/>	<hr/> <hr/>

Government grants have been received to support a number of research and development activities.

	Dec 2020 £000	Mar 2020 £000
Administrative income/(expenses) – adjusted items		
Costs associated with the sale of the business	(220)	(305)
Equity-settled share-based payment expenses (note 16)	1,529	(1,529)
	<hr/>	<hr/>
	1,309	(1,834)
	<hr/> <hr/>	<hr/> <hr/>

On 16 June 2020 Hexagon Metrology Inc purchased 100% of the share capital of Romax Technology Limited. Costs of £220,000 (Mar 2020: £305,000) relating to the sale of the business were incurred during the period.

4 Auditor's remuneration

Auditor's remuneration:

	Dec 2020 £000	Mar 2020 £000
Audit of these financial statements	50	68
Amounts receivable by the company's auditor and its associates in respect of:		
Audit-related assurance services	9	2
Taxation compliance services	26	25
Other tax advisory services	-	217
	<hr/>	<hr/>

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	Dec 2020	Mar 2020
Technical	94	93
Sales and marketing	21	16
Administration	24	34
	139	143
	139	143

The aggregate payroll costs of these persons were as follows:

	Dec 2020	Mar 2020
	£000	£000
Wages and salaries	5,314	7,688
Social security costs	627	824
Contributions to defined contribution plans (note 16)	220	297
	6,161	8,809
	6,161	8,809

6 Directors' remuneration

	Dec 2020	Mar 2020
	£000	£000
Directors' remuneration	177	629
Company contributions to money purchase pension plans	5	23
	182	652
	182	652

The aggregate of remuneration of the highest paid director was £99,000 (Mar 2020: £232,000), and company pension contributions of £2,000 (Mar 2020: £10,000) were made to a money purchase scheme on his behalf.

	Number of directors	
	Dec 2020	Mar 2020
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	4	4
	4	4
	4	4

7 Other interest receivable and similar income

	Dec 2020	Mar 2020
	£000	£000
Interest receivable on financial assets at amortised cost	3	16
	3	16
Total interest receivable and similar income	3	16

Notes (continued)

8 Taxation

Total tax expense recognised in the profit and loss account and other comprehensive income

	Dec 2020 £000	Mar 2020 £000
<i>Current tax</i>		
Current tax on income for the period	-	(223)
Adjustments in respect of prior periods	-	58
Foreign taxation	137	285
	<hr/>	<hr/>
Total current tax	137	120
	<hr/>	<hr/>
Total tax	137	120
	<hr/> <hr/>	<hr/> <hr/>

	Dec 2020			Mar 2020		
	£000	£000	£000	£000	£000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	137	-	137	120	-	120
Recognised in other comprehensive income	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total tax	137	-	137	120	-	120
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Analysis of current tax recognised in profit and loss

	Dec 2020 £000	Mar 2020 £000
UK corporation tax	-	(165)
Foreign tax	137	285
	<hr/>	<hr/>
Total current tax recognised in profit and loss	137	120
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	Dec 2020 £000	Mar 2020 £000
Profit for the period/year	768	2,958
Total tax	(137)	(120)
	<hr/>	<hr/>
Profit excluding tax	631	3,078
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2020: 19%)	119	585
Tax on overseas earnings – net	137	231
Non-deductible expenses	69	298
Research and development enhanced deduction	10	(432)
Current year losses for which no deferred tax asset was recognised	906	(41)
Under/(over) provided in prior years	57	58
Non-taxable income	(1,161)	(579)
	<hr/>	<hr/>
Total tax expense included in profit or loss	137	120
	<hr/>	<hr/>

UK corporation rate of 25% (effective 1 April 2023) was announced on 5 March 2021 and substantively enacted on 10 June 2021. This will increase the company's future current tax charge accordingly.

9 Intangible fixed assets

	Computer Software £000
Cost	
Balance at 1 April 2020	1,129
Additions	49
	<hr/>
Balance at 31 December 2020	1,178
	<hr/>
Amortisation and impairment	
Balance at 1 April 2020	1,079
Amortisation for the period	26
	<hr/>
Balance at 31 December 2020	1,105
	<hr/>
Net book value	
At 31 December 2020	73
	<hr/>
At 31 March 2020	50
	<hr/>

Notes (continued)

9 Intangible fixed assets (continued)

Amortisation charge

The amortisation charge is recognised in the following line items in the profit and loss account:

	Dec 2020 £000	Mar 2020 £000
Administrative expenses	26	15
	<u>26</u>	<u>15</u>

10 Tangible fixed assets

	Land and buildings £000	Computer equipment £000	Office equipment £000	Leasehold improvements £000	Total £000
Cost					
Balance at 1 April 2020	158	1,789	208	13	2,168
Additions	-	29	-	-	29
Disposals	-	(2)	-	-	(2)
	<u>158</u>	<u>1,816</u>	<u>208</u>	<u>13</u>	<u>2,195</u>
Balance at 31 December 2020	158	1,816	208	13	2,195
Depreciation and impairment					
Balance at 1 April 2020	133	1,406	192	11	1,742
Depreciation charge for the period	17	150	4	1	172
Disposals	-	(2)	-	-	(2)
	<u>150</u>	<u>1,554</u>	<u>196</u>	<u>12</u>	<u>1,912</u>
Balance at 31 December 2020	150	1,554	196	12	1,912
Net book value					
At 31 December 2020	<u>8</u>	<u>262</u>	<u>12</u>	<u>1</u>	<u>283</u>
At 31 March 2020	<u>25</u>	<u>383</u>	<u>16</u>	<u>2</u>	<u>426</u>

Land and buildings

The net book value of land and buildings comprises:

	Dec 2020 £000	Mar 2020 £000
Freehold	-	-
Short leasehold	8	25
	<u>8</u>	<u>25</u>

Notes (continued)

11 Fixed asset investments

	Shares in group undertakings £000
Cost	
At beginning of year	396
Additions	-
Disposals	-
	396
At end of period	396
Provisions	
At beginning of year	204
Impairment losses	-
	204
At end of period	204
Net book value	
At 31 December 2020	192
At 31 March 2020	192

The undertakings in which the Company had an interest in is as follows at the year-end:

Company	Country of incorporation	Principal activity	Class and percentage of shares held Company
<i>Subsidiary undertakings</i>			
Romax Technology Japan Ltd	Japan	Transmission software, sales & consultancy	Ordinary Shares 100%
Romax Technology Korea Co Ltd	Korea	Transmission software, sales & consultancy	Ordinary Shares 100%
Romax Solutions Pvt Ltd	India	Transmission software, sales & consultancy	Ordinary Shares 100%
Romax Technology Inc.	USA	Transmission software, sales & consultancy	Ordinary Shares 100%
Romax Technology (Hangzhou) Ltd	China	Transmission software, sales & consultancy	Ordinary Shares 100%
Romax Technology GmbH	Germany	Transmission software, sales & consultancy	Ordinary Shares 100%
Romax Design Solutions Ltd.	UK	Transmission software, sales & consultancy	Ordinary Shares 100%
<i>Registered office</i>			
Romax Technology Japan Ltd	Kanda Square 16F, 2-2-1 Kanda Nishiki-cho, Chiyoda-ku, Tokyo, 101-0054, Japan		
Romax Technology Korea Co Ltd	10, Baumoe-ro 21-gil, Seocho-gu, Seoul, 06752, Republic of Korea		
Romax Solutions Pvt Ltd	101-105 Sai Radhe Complex, Kennedy Road, Pune Maharashtra, 41101, India		
Romax Technology Inc.	46444 Hexagon Way, Novi, MI 48377, USA		
Romax Technology (Hangzhou) Ltd	Room 3A12, 3 rd Floor, Great Full, Qianjiang, Century City, Hangzhou, China		
Romax Technology GmbH	Am Moosfeld 13, 81829 Munchen, Germany		
Romax Design Solutions Ltd.	Cedar House, 78 Portsmouth Road, Cobham, Surrey, KT11 1HY, England		

All holdings are directly held by the Company.

Notes (continued)

12 Debtors

	Dec 2020 £000	Mar 2020 £000
Trade debtors	2,627	3,429
Amounts recoverable on contracts	177	258
Amounts owed by group undertakings	9,264	6,507
Amounts recoverable on government grants	43	-
Corporation tax	625	395
Prepayments and accrued income	779	1,479
	13,515	12,068
	13,515	12,068

13 Cash and cash equivalents/ bank overdrafts

	2020 £000	Mar 2020 £000
Cash at bank and in hand	2,132	6,345
Short-term investment	-	1,081
	2,132	7,426
	2,132	7,426

The short-term investment of £nil (*Mar 2020: £1,081,000*) has been withdrawn and the account closed during the period.

14 Creditors: amounts falling due within one year

	Dec 2020 £000	Mar 2020 £000
Trade creditors	64	771
Amounts owed to group undertakings	2,208	2,840
Tax and social security	277	207
Accruals and deferred income	5,155	6,955
	7,704	10,773
	7,704	10,773

Amounts owed to group undertakings are interest free and repayable on demand.

15 Deferred tax assets and liabilities

The Company has an unrecognised deferred tax asset.

The Deferred tax assets of £1,455,000 (*Mar 2020: £486,000*) relating to taxable losses carried forward in the Company have not been recognised as the directors are not certain there will be sufficient taxable profits for this to be utilised against.

Notes (continued)

16 Employee benefits

Defined contribution plans

The Company operates two defined contribution pension plans.

The total expense relating to these plans in the current period was £220,000 (*Mar 2020: £297,000*).

Share based payments

The terms and conditions of the grants are as follows:

Grant date / employees entitled	Method of settlement accounting	Number of instruments	Vesting conditions	Contractual life of options
Equity settled award to employees granted by parent on 5 July 2019	Equity	330,288	Service and non-market conditions	Non-market conditions

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price Dec 2020	Number of options Dec 2020	Weighted average exercise price Mar 2020	Number of options Mar 2020
Outstanding at the beginning of the year	0.05	330,288	-	-
Granted during the year	-	-	0.05	330,288
Exercised during the year	0.05	(330,288)	-	-
Outstanding at the end of the year	-	-	0.05	330,288
Exercisable at the end of the year	-	-	0.05	330,288

The fair value of services received in return for share options granted are measured by reference to the fair value of goods or services received or reference to the fair value of share options granted. The fair value of employee share options is measured using a Black-Sholes model.

17 Capital and reserves

Share capital

<i>Allotted, called up and fully paid</i>		<i>£000</i>
At 31 December 2020	3,148,887 ordinary shares of £0.01 each	31
At 31 March 2020	3,148,887 ordinary shares of £0.01 each	31

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

After the balance sheet date total dividends of £nil (*Mar 2020: £nil*) were proposed by the directors.

Notes (continued)

18 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	Dec 2020 £000	Mar 2020 £000
Assets measured at amortised cost	2,132	7,426
Assets measured at cost less impairment	2,847	3,687
Liabilities measured at amortised cost	64	771
	<u> </u>	<u> </u>

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Dec 2020 £000	Mar 2020 £000
Less than one year	170	638
Between one and five years	4	28
More than five years	-	-
	<u> </u>	<u> </u>
	<u>174</u>	<u>666</u>

During the year £432,000 was recognised as an expense in the profit and loss account in respect of operating leases (*Mar 2020: £652,000*).

20 Commitments

Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £nil (*Mar 2020: £nil*).

21 Related parties

The remuneration of key management personnel (the directors) is disclosed in note 6. In line with section 33.1A of FRS 102 "related party disclosures", the company has applied the exemption from disclosing related party transactions with wholly owned subsidiaries.

22 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Hexagon Metrology Inc. The ultimate controlling party is Hexagon AB.

The largest group in which the results of the Company are consolidated is that headed by Hexagon AB, Stockholm, Sweden. The smallest group in which they are consolidated is that headed by Hexagon Metrology Inc, USA. The consolidated financial statements of these groups are available to the public and may be obtained from www.hexagon.com.

Notes *(continued)*

23 Accounting estimates and judgements

Key sources of estimation uncertainty and judgment

Recoverability of trade debtors

Trade debtors are reviewed for impairment where there is uncertainty regarding their recoverability. Ageing of trade debtors and the specific commercial position is used to assess the key sources of uncertainty at the balance sheet date and need for impairment.

Long term contracts

The key accounting judgement is considered to be the stage of completion of each contract, including the estimation of the future costs to complete the contract. The Directors carefully consider the likelihood of profits arising for contracts and any further unforeseen costs that may be required to complete the work before the recognition of revenue. Where there are loss making contracts, the directors write off the loss on the contract immediately to the profit and loss account.