

Company Registration No. 08272223 (England and Wales)

TOPCON TECHNOLOGY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2021



TOPCON TECHNOLOGY LIMITED

COMPANY INFORMATION

Directors	B J Hester N A Staite A Zahalka G D Thomas
Secretary	N A Staite
Company number	08272223
Registered office	Topcon Technology Limited Cirencester Road Minchinhampton Stroud Gloucestershire GL6 9BH
Auditor	RSM UK Audit LLP Chartered Accountants Hartwell House 55-61 Victoria Street Bristol BS1 6AD
Bankers	HSBC Bank Plc 130 New Street Birmingham B2 4JU

TOPCON TECHNOLOGY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present the strategic report and financial statements for the year ended 31 March 2021.

Review of the business

Topcon Technology designs, manufactures and distributes a wide range of instrumentation for the mobile machinery industry, predominantly in agricultural and industrial machinery control systems.

The company has continued to develop strong relationships with specialist agricultural and industrial distributors in many parts of the world with the additional support of the Topcon group.

Further routes to market are now being leveraged through the European Topcon group. European OEM sales are now largely consolidated through Topcon's Precision Agriculture facility in Madrid which provides one point of contact for the customer. During the last year most of the non UK based European distributor accounts have moved to Topcon Europe Positioning in The Netherlands.

The first COVID-19 lockdown in the UK began just prior to the start of the financial year. The business, as a supplier to the agriculture sector was able to continue with production but with safety measures in place. Many administration and development staff have remained working from home throughout the year.

Sales over the first three months declined by 11% compared to the same period in the previous year and were down 6% by the half year. However, growth accelerated in the lead up to the Brexit deadline of 31 December as customers looked to avoid potential customs delays. Sales in the second half of the year ended 12% higher than the same period in previous year. Over the whole year sales ended at £14.8m which was 2.6% higher than the previous year.

In the agricultural market, revenue increased by 9.7% with significant growth in Planter/Drill systems which grew by 30%. Distributor revenue fell by 7.3% partially due to the transfer of European business through the Topcon Europe Positioning business.

Operating profit grew to £2.17m compared to £1.71m in the previous year, an increase of 27%. These results include £975k of goodwill amortisation.

Net working capital reduced by £250k compared to the previous year. Average debtor days reduced to 30 days (2019-20: 39 days) a decrease of £123k in Trade Debtors at year end. Average inventory days reduced to 97 days (2019-20: 102 days), although inventory had increased by £172k at year end in response to increasing sales order levels. Average creditor days reduced to 41 days (2019-20: 46). The overall average cash conversion cycle of inventory and net debtors/creditors reduced to 86 days (2019-20: 94 days).

The company remains well-placed within its key markets and the directors are confident this position can be maintained despite the threat to the global economy resulting from COVID-19. Exports remained static at £10.96m making up 74.0% of total sales (2019-20: 76%) and these are spread across 35 countries. Growth of 61% in Australia and 10% in the USA, is particularly encouraging and has been achieved through the Topcon group's access to these markets.

COVID-19

Production has continued throughout the period since the first UK lockdown. The company has implemented greater work-bench separation and shielding as well as providing Personal Protective Equipment and antibacterial gels. A small number of staff, who were at risk, initially had to quarantine but all have now returned to work. All staff were supported in terms of wage payments during this period. Engineering, Product Support and Administration staff have been able to work from home with access to the company's systems.

Future developments

The increase in autonomous vehicles within Agriculture has meant that developments to intelligent implement controls are now critical. We are now investing in additional functionality in our product portfolio to allow the implements to become smarter and ultimately control the tractor.

TOPCON TECHNOLOGY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Principal risks and uncertainties

Future company success may be affected by any or all the following risks and uncertainties: competitive pricing pressure, commodity prices, global political situations, product recall, excessive warranty costs, volatility in exchange rates and/or interest rates. Notwithstanding these risks and uncertainties that will always face the business, in the opinion of the directors, future trading prospects remain strong.

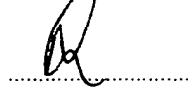
The long-term impact on the global economy from COVID-19 still remains uncertain. The business has experienced considerable growth in orders as it moves into the new financial year which may be driven by disruption in the global supply chain. However, component shortages are widespread in the electronics market and lead times from suppliers are increasing. The directors remain confident that the business has a wide spread of risk across the globe, serving customers in many different markets.

The final withdrawal from the European Union had relatively little impact on the company, partially due to the considerable experience within the business when dealing with export sales both within Europe and the wider world.

Matters of strategic importance

Food producers are under constant pressure to improve both output and efficiency, with increasing reliance on technological advances and mechanisation. The company remains well positioned to benefit from these demands.

On behalf of the board



N A Staite
Director

Date: 15.11.2021

TOPCON TECHNOLOGY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present their annual report and financial statements for the year ended 31 March 2021.

Principal activities

The principal activity of the company is the design, manufacture, marketing and support of electronic instruments for the mobile machinery industry.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

I Di Federico	(Resigned 12 August 2020)
B J Hester	
F Isaia	(Resigned 12 August 2020)
D Mudrick	(Resigned 12 August 2020)
R O'Connor	(Resigned 12 August 2020)
N A Staite	
A Zahalka	
G D Thomas	(Appointed 12 August 2020)

Results and dividends

The results for the year are set out on page 8. Ordinary dividends were paid amounting to £4,000,000 (2020: £nil). The directors do not recommend payment of a further dividend.

Financial risk management objectives and policies

The directors continue to review the financial risk management objectives and policies of the company and, where there is a significant exposure to financial risks, the policy laid down by the ultimate parent company prevails. Appropriate trade terms are agreed with suppliers and customers. Management reviews such terms and the relationships with suppliers and customers and manages any exposure on normal trade terms. The company remains exposed to significant swings in exchange rates but, wherever possible, seeks to hedge these naturally by buying and selling in the same currency.

Research and development

The company continues to undertake research and development. The expenditure is written off in the year in which it is incurred. Materials and salaries costs of £953,633 (2020 - £841,441) were written off during the year.

Qualifying third party indemnity provision

The company maintained third party liability insurance in respect of its directors and senior officers.

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.


Matters included in the strategic report

In accordance with the Companies Act 2006, s. 414C(11), the company has chosen to set out in its strategic report information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of the review of the business and future developments.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board


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N A Staite

Director

Date: 15.11.2021

TOPCON TECHNOLOGY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

The directors are responsible for preparing the Strategic Report and 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable 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 of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOPCON TECHNOLOGY LIMITED

Opinion

We have audited the financial statements of Topcon Technology Limited (the 'company') for the year ended 31 March 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report 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 the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOPCON TECHNOLOGY LIMITED (CONTINUED)

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 the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOPCON TECHNOLOGY LIMITED (CONTINUED)

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are compliance with FRS 102, compliance with the Companies Act 2006 and Tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included, reviewing financial statement disclosures, inspecting correspondence with local tax authorities and external tax advisors.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing the appropriateness of journal entries and other adjustments, assessing whether the judgement made in making accounting estimates indicate potential bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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.

RSM UK Audit LLP

Thomas Morgan (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

18 NOVEMBER 2021

TOPCON TECHNOLOGY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

		2021	2020
	Notes	£	£
Turnover	3	14,816,565	14,436,928
Cost of sales		(8,516,189)	(8,395,125)
Gross profit		6,300,376	6,041,803
Distribution costs		(414,534)	(626,429)
Administrative expenses		(3,836,867)	(3,807,510)
Other operating income	4	123,972	100,973
Profit before taxation		2,172,947	1,708,837
Tax on profit	9	(596,603)	(514,558)
Profit for the financial year		1,576,344	1,194,279

TOPCON TECHNOLOGY LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2021**

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Goodwill	11		1,788,182		2,763,556
Other intangible assets	11		16,745		7,050
Total intangible assets			1,804,927		2,770,606
Tangible assets	12		158,634		124,690
			1,963,561		2,895,296
Current assets					
Stocks	13	2,352,617		2,180,739	
Debtors	14	1,876,176		1,923,740	
Cash at bank and in hand		1,315,856		2,581,406	
		5,544,649		6,685,885	
Creditors: amounts falling due within one year	15	(1,975,829)		(1,631,571)	
Net current assets			3,568,820		5,054,314
Total assets less current liabilities			5,532,381		7,949,610
Provisions for liabilities	16		(36,305)		(29,878)
Net assets			5,496,076		7,919,732
Capital and reserves					
Called up share capital	19		3,580,246		3,580,246
Profit and loss reserves	20		1,915,830		4,339,486
Total equity			5,496,076		7,919,732

The financial statements were approved by the board of directors and authorised for issue on 15.11.2021 and are signed on its behalf by:


 N A Staite
 Director

TOPCON TECHNOLOGY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2019		3,580,246	3,145,207	6,725,453
Year ended 31 March 2020:				
Profit and total comprehensive income for the year		-	1,194,279	1,194,279
Balance at 31 March 2020		<u>3,580,246</u>	<u>4,339,486</u>	<u>7,919,732</u>
Year ended 31 March 2021:				
Profit and total comprehensive income for the year		-	1,576,344	1,576,344
Dividends	10	-	(4,000,000)	(4,000,000)
Balance at 31 March 2021		<u><u>3,580,246</u></u>	<u><u>1,915,830</u></u>	<u><u>5,496,076</u></u>

TOPCON TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

Company information

Topcon Technology Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Topcon Technology Limited, Cirencester Road, Minchinhampton, Stroud, Gloucestershire, GL6 9BH.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosures

For the purposes of its individual financial statements, the company is a qualifying entity under the FRS 102 Reduced Disclosure Framework and has taken advantage of the exemption from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' - Presentation of a Statement of Cash Flows and related notes and disclosures.

Going concern

These financial statements have been prepared on a going concern basis on the grounds that the directors consider that the company holds sufficient cash reserves to provide significant headroom to offset any cashflow uncertainties and therefore the company will be able to continue to meet its debts as they fall due.

In order to assess the going concern assumptions, the directors have considered detailed trading and cashflow projections for a period of at least 12 months from the date of approval of these financial statements, taking account of the ongoing COVID-19 situation and the uncertainty this presents in drawing their conclusions.

In making this assessment the directors have considered the ongoing COVID-19 situation and the uncertainty this presents in forecasting income. The directors have assessed the risk associated within each business area, considering the business to be reasonably diversified across markets and geographically. Additionally, consideration has been given to monthly cashflows when evaluating cash collection for any potential downturn as a result of the impact of COVID-19 on the company's direct customers.

As of March 2021, the company was funded from its available cash reserves without the need for external funding, this has remained throughout the post year-end period with no additional external funding deemed necessary by the directors when assessing the next 12 months.

The directors are confident that the steps they have taken to mitigate associated risk, in tandem with future plans for the company as set out in the Strategic Report will ensure the company is well positioned to continue to trade throughout the current uncertain economic environment. They have therefore concluded that there is no material uncertainty about the ability of the company to continue as a going concern and that it remains appropriate to prepare the financial statements on a going concern basis.

TOPCON TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

Turnover

Turnover represents the amounts receivable from customers for goods and services sold in the course of the company's ordinary activities after deduction of trade discounts and value added tax. Turnover is recognised on despatch of the goods or on provision of the services.

Research and development expenditure

Research and development expenditure is written off against profits in the year in which it is incurred.

Intangible fixed assets - goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset in the statement of financial position and amortised over its estimated useful life which is estimated to be ten years. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Computer software	- 3 years straight line
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Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	- 5 years straight line
Plant & equipment	- 5 years straight line
Office furniture, fittings & equipment	- 3 to 5 years straight line
Motor vehicles	- 4 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

TOPCON TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

Stocks

Stocks and work in progress have been valued at the lower of cost and net realisable value. The cost of raw materials and bought-in parts is determined by the purchase invoice price. The cost of work in progress is determined by material cost only. The cost of finished goods is determined by the raw material cost plus direct labour and an appropriate proportion of production overheads.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

TOPCON TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income or equity.

Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are not taxable or deductible, or that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

TOPCON TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

Above the line tax credits

Above the line tax credits are credited to a deferral account and released to profit or loss over the period in which they are expected to be recovered. Any current asset recognised in respect of the tax recoverable is recognised to the extent that it is considered probable that the asset will be recovered in the future. Any impairment to the current asset in respect of tax recoverable is charged to profit and loss as part of the tax expense for the period.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (*foreign currency*) are initially recorded at the exchange rate set at the date of the start of the financial year.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate set at the start of the financial year, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

TOPCON TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Intangible fixed assets

The carrying value of goodwill and the related amortisation charge for the period are sensitive to changes in estimates of the future economic benefit that the company expects to derive from the underlying business. The carrying value is assessed on an annual basis and adjusted where there are indications of impairment. Factors considered in estimating the future economic benefit include technological advancement and market conditions.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2021	2020
	£	£
Turnover analysed by class of business		
Design, manufacture, marketing and support of electronic instruments	14,816,565	14,436,928
	<u>14,816,565</u>	<u>14,436,928</u>
	2021	2020
	£	£
Turnover analysed by geographical market		
United Kingdom	3,853,372	3,468,146
Europe	8,133,070	8,140,848
America	1,294,169	1,171,764
Australia and New Zealand	1,103,354	695,803
Africa	132,063	111,335
Asia	300,537	849,032
	<u>14,816,565</u>	<u>14,436,928</u>

4 Other operating income

	2021	2020
	£	£
Gross R&D tax credit - current period	123,872	100,973
	<u>123,872</u>	<u>100,973</u>

TOPCON TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
Production staff	46	49
Sales and administrative staff	39	39
Total	<u>85</u>	<u>88</u>

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	2,848,768	2,849,158
Social security costs	263,788	256,856
Pension costs	257,651	244,032
	<u>3,370,207</u>	<u>3,350,046</u>

6 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	105,374	70,867
Company pension contributions to defined contribution schemes	71,848	47,679
	<u>177,222</u>	<u>118,546</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2020 - 1).

7 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging/(crediting):	£	£
Foreign exchange losses	91,535	82,762
Research and development costs	182,280	91,761
Depreciation of owned tangible fixed assets	65,344	68,511
Profit on disposal of tangible fixed assets	(26,100)	-
Amortisation of intangible assets	985,094	990,224
Operating lease charges	<u>142,169</u>	<u>137,350</u>

TOPCON TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

8 Auditor's remuneration	2021	2020
	£	£
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	29,500	26,800
For other services		
Taxation compliance services	6,070	5,970
All other non-audit services	3,300	3,100
	<u>9,370</u>	<u>9,070</u>
9 Taxation	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	589,060	513,556
Adjustments in respect of prior periods	(2,031)	-
Total current tax	<u>587,029</u>	<u>513,556</u>
Deferred tax		
Origination and reversal of timing differences	9,574	(3,915)
Adjustment in respect of prior periods	-	4,917
Total deferred tax	<u>9,574</u>	<u>1,002</u>
Total tax charge	<u>596,603</u>	<u>514,558</u>

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2021	2020
	£	£
Profit before taxation	<u>2,172,947</u>	<u>1,708,837</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	412,860	324,679
Tax effect of expenses that are not deductible in determining taxable profit	-	1,034
Adjustments in respect of prior years	(2,031)	-
Fixed asset differences	185,774	185,321
Adjust deferred tax to average rate	-	3,524
Taxation charge for the year	<u>596,603</u>	<u>514,558</u>

TOPCON TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

10 Dividends		2021	2020
		£	£
Final paid		4,000,000	-
		<u> </u>	<u> </u>
11 Intangible fixed assets			
	Goodwill	Computer software	Total
	£	£	£
Cost			
At 1 April 2020	7,781,917	88,486	7,870,403
Additions	-	19,415	19,415
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2021	7,781,917	107,901	7,889,818
	<u> </u>	<u> </u>	<u> </u>
Amortisation and impairment			
At 1 April 2020	5,018,361	81,436	5,099,797
Amortisation charged for the year	975,374	9,720	985,094
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2021	5,993,735	91,156	6,084,891
	<u> </u>	<u> </u>	<u> </u>
Carrying amount			
At 31 March 2021	1,788,182	16,745	1,804,927
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2020	2,763,556	7,050	2,770,606
	<u> </u>	<u> </u>	<u> </u>

Amortisation charged in the year is recognised wholly within administrative expenses.

The 2019 group reorganisation used a hybrid method of accounting. Following the transfer in the company's statement of financial position, £7.7m previously shown as investment in subsidiary was transferred to goodwill. This goodwill balance was subsequently adjusted downwards by £2.8m to reflect the cumulative historical amortisation that would have been charged on this goodwill if the trade, assets and liabilities had been transferred immediately after the group acquired RDS Technology Limited on 1 November 2012.

The result of this reorganisation is that amortisation is charged against this £7.7m of goodwill at a rate of 10% of the pre-reorganisation goodwill balance (£9.7m).

TOPCON TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

12 Tangible fixed assets

	Leasehold improvements	Plant & equipment	Office furniture, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2020	107,557	67,463	50,354	160,326	385,700
Additions	32,334	3,504	-	63,450	99,288
Disposals	-	-	-	(80,791)	(80,791)
At 31 March 2021	139,891	70,967	50,354	142,985	404,197
Depreciation and impairment					
At 1 April 2020	70,329	41,835	46,502	102,344	261,010
Depreciation charged in the year	18,021	9,205	1,909	38,209	65,344
Eliminated in respect of disposals	-	-	-	(80,791)	(80,791)
At 31 March 2021	88,350	51,040	48,411	57,762	245,563
Carrying amount					
At 31 March 2021	51,541	19,927	1,943	85,223	158,634
At 31 March 2020	37,228	25,628	3,852	57,982	124,690

13 Stocks

	2021 £	2020 £
Raw materials and consumables	1,207,985	1,060,293
Work in progress	294,068	203,814
Finished goods and goods for resale	850,564	916,632
	2,352,617	2,180,739

14 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	1,389,001	1,671,952
Amounts owed by group undertakings	239,958	-
Other debtors	142,529	148,150
Prepayments and accrued income	98,510	87,886
	1,869,998	1,907,988
Deferred tax asset (note 17)	6,178	15,752
	1,876,176	1,923,740

TOPCON TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

15 Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	1,626,184	1,247,418
Corporation tax	5,088	52,584
Other taxation and social security	70,012	68,002
Other creditors	14,638	14,542
Accruals and deferred income	259,907	249,025
	<u>1,975,829</u>	<u>1,631,571</u>

16 Provisions for liabilities

	2021	2020
	£	£
Warranty provisions	<u>36,305</u>	<u>29,878</u>
Movements on provisions:		
		Warranty provisions
		£
At 1 April 2020		29,878
Additional provisions in the year		36,305
Utilisation of provision		(29,878)
At 31 March 2021		<u>36,305</u>

Warranty provisions have been recognised in respect of products sold during the period. The amount provided represents management's best estimate of the future cash outflows in respect of those products that remain within the warranty period at the reporting date. It is based on past experience and costs incurred which are monitored on a regular basis. It is expected that most of this expenditure will be incurred in the next financial year and all will be incurred within two years of the reporting date.

TOPCON TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

17 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2021 £	Assets 2020 £
Balances:		
Fixed asset timing differences	(2,947)	7,039
Short term timing differences	9,125	8,713
	<u>6,178</u>	<u>15,752</u>
		2021
Movements in the year:		£
Asset at 1 April 2020		(15,752)
Charge to profit or loss		9,574
Asset at 31 March 2021		<u>(6,178)</u>

The deferred tax asset set out above is expected substantially to reverse within 12 months as taxation allowances exceed depreciation charged on the underlying assets in the same period.

18 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>257,651</u>	<u>244,032</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	<u>3,580,246</u>	<u>3,580,246</u>	<u>3,580,246</u>	<u>3,580,246</u>

The company has one class of ordinary shares. The shares carry no right to fixed income. Each share carries the right to one vote at general meetings of the company.

20 Reserves

Profit and loss reserves

The profit and loss reserves reflect cumulative profit and losses net of distributions to members.

TOPCON TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

21 Operating lease commitments

Lessee

Operating lease commitments reflect rentals payable on the company's premises.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2020
	£	£
Within one year	109,115	130,000
Between one and five years	43,555	97,500
	<u>152,670</u>	<u>227,500</u>

22 Related party transactions

Key management personnel are considered to be the directors of the company whose remuneration has been disclosed in note 6.

During the year, the company recorded sales of £nil (2020 - £nil) to non-wholly owned fellow group companies. At the year end, those entities owed the company £nil (2020 - £100,941).

The company has taken advantage of the exemption available under section 33 of FRS102 and has not disclosed details of transactions or balances between wholly owned group companies.

23 Ultimate controlling party

The immediate parent company is Topcon Positioning Systems Inc., incorporated in the USA. The ultimate parent company is Topcon Corporation, incorporated in Tokyo. Topcon Corporation heads the largest group in which the results of the company are consolidated. The consolidated financial statements of these groups are available to the public and can be obtained from 751-1, Hasunuma-cho, Itabashi-ku, Tokyo 174-8580, Japan. In the opinion of the directors there is no overall controlling party.