Yokogawa United Kingdom Limited

Registered number: 02042994

Annual report and financial statements

For the year ended 31 March 2022

COMPANY INFORMATION

Directors	C Ramsden T Matsubara (appointed 1 April 2022)
Company secretary	B D Murrey
Registered number	02042994
Registered office	Stuart Road Manor Park Runcorn Cheshire WA7 1TR
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor One St Peter's Square Manchester M2 3DE
Bankers	National Westminster Bank plc 11 Spring Gardens Manchester M60 2DB
	The Bank of Tokyo-Mitsubishi UFJ, Ltd 25 Ropemaker Street London EC2Y 9AN
Solicitors	Addleshaw Goddard LLP One St Peter's Square Manchester M2 3DE

YOKOGAWA UNITED KINGDOM LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022

Introduction

The board present their strategic report for Yokogawa United Kingdom Limited for the year ended 31 March 2022.

Business review

The board are proud of the Company's results for the year presenting revenue growth of 11% and a profit after tax of £2.1 million. The Company's strategy over recent years has created stability through challenging economic conditions as well as a strong foundation for future growth. The fact that these results have been delivered in the backdrop of UK political uncertainty, conflict in Ukraine and the COVID-19 pandemic is even more encouraging. The board are confident that the Company's strategy and leadership are positioned well to enable increased profitability for the future.

Principal risks and uncertainties

The principal risks that the business faces are the general economic risk and sensitivity to major changes in the price of oil since this will affect maintenance budgets and future investment decisions. The company mitigates this with strong forecasting and tight cost control.

Exchange rate exposure is limited via natural hedges and, where a transaction risk is material, hedges are undertaken via the parent company.

To mitigate credit risk, the company trades only with recognised, creditworthy third parties. All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis to minimise the company's exposure to bad debts.

Financial key performance indicators

The principal KPI's that the board monitor to assess business performance against budget and prior year are:

	2022	2021
Revenue (£m)	25.2	22.7
Gross margin (%)	36	29
Operating profit (%)	10	5
Profit before tax (£m)	2.4	1.2
Average days sales outstanding	63	69

Other key performance indicator

Safety – Near incidents reported	37	21

This report was approved by the board on 30 March 2023 and signed on its behalf.

C Ramsden
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022

The directors present their report and the financial statements for the year ended 31 March 2022.

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 of the company for that period.

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to 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.

Results and dividends

The profit for the year, after taxation, amounted to £2,142,393 (2021 - £1,157,686).

Dividends of £Nil were declared in the year (2021: £900,000).

Directors

The directors who served during the year were:

C Ramsden
H Van den Berg (resigned 1 April 2021)
A Helget (appointed 1 April 2021, resigned 22 December 2021)

T Matsubara was appointed as a Director on 1 April 2022

Future developments

The group introduced a new medium term business plan ("MTBP") during the period called "Accelerated Growth 2023". The four basic strategies of this new Accelerate Growth 2023 MTBP are:

1) Implement IA2IA & smart manufacturing and transform value provision

2) Strengthen industry responsiveness and expand cross-industry business

3) Ensure profitability and sound growth

4) Optimize internal operations and transform mindsets

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

The Company is positioned to support Yokogawa group's MTBP and will seek to enhance its corporate value. We will seek to maximise traditional industrial process automation (IA) business in the energy and chemical sectors, to fund longer term growth via focused diversification, creating a sustainable business for our employees and our society.

War in Ukraine

In relation to the Ukraine crisis, the Company has reviewed its position and can see no current or future impacts to its supply chain or consider there to be any significant geopolitical or other impacts to the Company. The Company will comply with imposed sanctions and will keep the situation under review as part of the group's crisis management policy.

Health and safety of employees

The well-being of the company's employees is safeguarded through strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act 1989 imposes certain requirements on employers and the company has taken the necessary action to ensure compliance with the Act, including the adoption of a Safety Statement.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

Following the year end, the Company reduced it's share capital to a total of £2m. On 4th July 2022 the Company declared a dividend of £1.1m.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 March 2023 and signed on its behalf.

C Ramsden
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YOKOGAWA UNITED KINGDOM LIMITED

Opinion

We have audited the financial statements of Yokogawa United Kingdom Limited (the 'company') for the year ended 31 March 2022 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 a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for 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.

Matters on which we are required to report by exception

In 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YOKOGAWA UNITED KINGDOM LIMITED

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 intend either 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

• Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;

• Inspecting correspondence, if any, with relevant licensing or regulatory authorities;

• Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and

• Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut-of assertion) and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit 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.

Christopher Martin (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

One St Peter's Square

Manchester
M2 3DE

Date:

30 March 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £	2021 £
Turnover	3	25,156,907	22,726,295
Cost of sales		(16,215,384)	(16,144,051)
Gross profit		8,941,523	6,582,244
Administrative expenses		(6,523,658)	(5,426,727)
Other operating income	4	-	11,798
Operating profit	5	2,417,865	1,167,315
Interest receivable and similar income	9	2,889	2,018
Interest payable and similar expenses	10	(9,639)	(9,807)
Profit before tax		2,411,115	1,159,526
Tax on profit	11	(268,722)	(1,840)
Profit for the financial year		2,142,393	1,157,686

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2022 (2021: £NIL).

The notes on pages 11 to 29 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note		2022 £		2021 £
Fixed assets					
Tangible assets	13		1,341,190		1,401,918
Investments	14		3,204,835		3,204,835
			4,546,025		4,606,753
Current assets					
Stocks	15	193,868		427,023	
Debtors: amounts falling due within one year	16	9,367,473		6,472,743	
Cash at bank and in hand	17	4,282,336		4,349,660	
		13,843,677		11,249,426	
Creditors: amounts falling due within one year	18	(9,516,510)		(7,621,311)	
Net current assets			4,327,167		3,628,115
Total assets less current liabilities			8,873,192		8,234,868
Creditors: amounts falling due after more than one year	19		-		(1,500,000)
Provisions for liabilities					
Deferred tax	21		(22,680)		(26,749)
Net assets			8,850,512		6,708,119
Capital and reserves					
Called up share capital	22		4,100,000		4,100,000
Profit and loss account	23		4,750,512		2,608,119
			8,850,512		6,708,119

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 March 2023.

C Ramsden
Director

The notes on pages 11 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2020	6,200,000	250,433	6,450,433
Comprehensive income for the year			
Profit for the year	-	1,157,686	1,157,686
Total comprehensive income for the year	-	1,157,686	1,157,686
Dividends: Equity capital	-	(900,000)	(900,000)
Share capital reduction	(2,100,000)	2,100,000	-
At 1 April 2021	4,100,000	2,608,119	6,708,119
Comprehensive income for the year			
Profit for the year	-	2,142,393	2,142,393
Total comprehensive income for the year	-	2,142,393	2,142,393
At 31 March 2022	4,100,000	4,750,512	8,850,512

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

The following principal accounting policies have been applied:

1.2 General information

Yokogawa United Kingdom Limited ('the Company') is a limited company incorporated in the United Kingdom.

The address of its registered office and principal place of business is:

Stuart Road

Manor Park

Runcorn

WA17 1TR

United Kingdom

The principal activities of the Company are the marketing, engineering support and distribution of its own range of process control instrumentation and safety systems, manufactured at various locations in Europe and the rest of the world.

These financial statements have been presented in pound sterling which is the functional currency of the company and rounded to the nearest £.

1.3 Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Yokogawa Electric Corporation as at 31 March 2022 and these financial statements may be obtained from 9-32 Nakacho, 2-Chrome, Musashino, Tokyo 180, Japan.

1. Accounting policies (continued)

1.4 Going concern

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

The company's forecasts and projections, taking account of possible changes in trading performance as a result of the COVID-19 pandemic, market volatility and the UK leaving the EU, show that the company should be able to operate within the current working capital facility. The assessment has been carried out to at least 12 months from the approval of these financial statements.

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

1.5 Group financial statements

Group financial statements are not prepared under the exemption permitted by section 401 of the Companies Act 2006 as the Company is a wholly owned subsidiary of a company which prepares consolidated financial statements and which are publicly available. Accordingly, the financial statements present information about the Company as an individual undertaking and not about its

group.

1. Accounting policies (continued)

1.6 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Forecast revenue at completion on contracts is equal to the contract value per the signed contract plus revenue from approved change orders.

When it is probable that total contract costs will exceed total contract revenue on a contract, the expected loss is recognised immediately with a corresponding provision for an onerous contract.

1.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

1. Accounting policies (continued)

1.7 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	2%	straight line
Building improvements	-	20%	straight line
Motor vehicles	-	33%	straight line
Office equipment	-	20%	straight line
Computer equipment	-	33%	straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.8 Operating leases: the company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1. Accounting policies (continued)

1.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.12 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.14 Financial instruments

The company mainly enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

1.15 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1. Accounting policies (continued)

1.16 Government grants

Grants are accounted under the accruals model as permitted by FRS 102.

Grants of a revenue nature, such as Coronavirus Job Retention Scheme (CJRS), are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

1.17 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'administration expenses'.

1.18 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.19 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

1. Accounting policies (continued)

1.20 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

1.21 Interest income

Interest income is recognised in profit or loss using the effective interest method.

1.22 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

1. Accounting policies (continued)

1.23 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In applying the company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

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, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Critical accounting judgements

The critical accounting judgements that the directors have made in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

(i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Revenue recognition in respect of services

The company uses the percentage of completion method to recognise project revenue for fixed-price contracts. This method requires the directors to estimate the forecast cost at completion, revenue is recognised on contracts using the percentage of costs incurred to date against forecast costs at completion. Variations to the cost estimates could result in the over or under recognition of revenue.

(ii) Recoverability of receivables

The company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the ageing of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

3. Analysis of turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Systems and services	18,892,113	16,840,517
Sale of goods	6,264,794	5,885,778
	25,156,907	22,726,295

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	19,083,965	16,542,454
Rest of Europe	2,649,762	1,554,060
Rest of the world	3,423,180	4,629,781
	25,156,907	22,726,295

4. Other operating income

	2022 £	2021 £
Other operating income	-	11,798

The government grant income received during 2021 related to the Coronavirus Job Retention Scheme (CJRS).

5. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Depreciation of tangible fixed assets	140,233	160,364
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	38,500	35,000
Exchange differences	51,500	25,421
Operating lease rentals - land and buildings	168,898	128,860
Operating lease rentals - other	156,173	224,302
Defined contribution pension cost	678,467	668,421

6. Auditor's remuneration

	2022 £	2021 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	38,500	35,000

Fees payable to the company's auditor in respect of:

	2022 £	2021 £
All other services	2,250	1,750

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2022 £	2021 £
Wages and salaries	6,106,116	5,928,505
Social security costs	804,902	773,475
Cost of defined contribution scheme	678,467	668,421
	7,589,485	7,370,401

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Sales	38	44
Production	62	60
Administration	32	35
	132	139

8. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	107,141	98,067
Company contributions to defined contribution pension schemes	14,438	11,458
	121,579	109,525

During the year retirement benefits were accruing to 1 director (2021 - 1) in respect of defined contribution pension schemes.

9. Interest receivable

	2022 £	2021 £
Bank interest receivable	2,889	2,018

10. Interest payable and similar expenses

	2022 £	2021 £
Loans from group undertakings	9,639	9,807

11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	331,582	9,025
Adjustments in respect of previous periods	(58,791)	1,268
Total current tax	272,791	10,293
Deferred tax		
Origination and reversal of timing differences	(4,069)	(8,453)
Total deferred tax	(4,069)	(8,453)
Taxation on profit on ordinary activities	268,722	1,840

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	2,411,115	1,159,526
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	458,112	220,310
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,098	1,586
Fixed asset differences	(507)	8,453
Deferred tax asset not recognised	(4,069)	(8,453)
Adjustments to tax charge in respect of prior periods	(58,791)	1,268
Adjustments to prior year tax charge in respect of restated financial statements	-	(126,973)
Group loss relief	(71,561)	(65,835)
Utilisation of brought forward tax losses	(51,913)	(27,976)
Other differences leading to an increase (decrease) in the tax charge	(3,647)	(540)
Total tax charge for the year	268,722	1,840

Factors that may affect future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

12. Dividends

The directors have declared and paid in the year dividends totalling £Nil (2021: £900,000)

13. Tangible fixed assets

	Freehold property & improvements	Motor vehicles	Office & computer equipment	Total
	£	£	£	£
Cost				
At 1 April 2021	2,410,045	6,400	1,008,765	3,425,210
Additions	4,508	-	75,248	79,756
Disposals	-	-	(124,631)	(124,631)
At 31 March 2022	2,414,553	6,400	959,382	3,380,335
Depreciation				
At 1 April 2021	1,167,557	6,400	849,335	2,023,292
Charge for the year	40,146	-	100,087	140,233
Disposals	-	-	(124,380)	(124,380)
At 31 March 2022	1,207,703	6,400	825,042	2,039,145
Net book value				
At 31 March 2022	1,206,850	-	134,340	1,341,190
At 31 March 2021	1,242,488	-	159,430	1,401,918

14. Fixed asset investments

	Investments in subsidiary companies £
Cost and net book value	
At 1 April 2021	3,204,835
At 31 March 2022	3,204,835

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Registered office	Principal activity	Class of shares	Holding
Yokogawa RAP Limited	Stuart Road, Manor Park, Runcorn, Cheshire, United Kingdom, WA7 1TR	Provider of Control of work software	Ordinary	100 %

15. Stocks

	2022 £	2021 £
Finished goods and goods for resale	193,868	427,023

16. Debtors

	2022	2021
	£	£
Trade debtors	5,283,849	3,787,878
Amounts owed by group undertakings	1,390,327	1,356,498
Other debtors	1,277,701	103,456
Prepayments and accrued income	363,687	244,277
Amounts recoverable on long-term contracts	1,051,909	980,634
	9,367,473	6,472,743

Amounts owed by group undertakings are interest fee and repayable on demand.

17. Cash and cash equivalents

	2022	2021
	£	£
Cash at bank and in hand	4,282,336	4,349,660

18. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Payments received on account	3,313,371	2,405,074
Trade creditors	839,608	250,782
Amounts owed to group undertakings	1,492,594	2,094,185
Corporation tax	23,776	-
Other taxation and social security	574,565	655,801
Other creditors	132,675	168,317
Accruals and deferred income	3,139,921	2,047,152
	9,516,510	7,621,311

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

19. Creditors: Amounts falling due after more than one year

	2022 £	2021 £
Loan from parent company	-	1,500,000

Loan from parent company was taken out on 3 September 2019 and secured against the Company's assets, interest is charged at LIBOR + 0.5% and the loan was repaid in full during the year.

20. Loans

Analysis of the maturity of loans is given below:

	2022 £	2021 £
Amounts falling due after more than 5 years		
Loan from parent company	-	1,500,000
	-	1,500,000

21. Deferred taxation

	2022 £	2021 £
At beginning of year	(26,749)	(35,202)
Credited/(charged) to the profit or loss	4,069	8,453
At end of year	(22,680)	(26,749)

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	(22,680)	(26,749)

Not all of the carried forward tax losses have been recognised on the grounds that there is insufficient evidence that the remainder of the losses will be recovered. At 31 March 2021 the company has estimated tax losses unrecognised of £4,334,011 (2021: £4,607,235) to carry forward against future trading profits. The losses have arisen from previous acquisitions and subsequent hive-ups and can only be offset against the profits relating to the trading from the acquired subsidiaries.

22. Share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
4,100,000 (2021 - 4,100,000) Ordinary shares of £1.00 each	4,100,000	4,100,000

23. Reserves

Share premium account

This reserve represents the amount above the nominal value received for issued share capital, less transaction costs.

Profit & loss account

This reserve represents the cumulative profits and losses.

24. Contingent liabilities

The Company has contingent liabilities to the Bank of Tokyo-Mitsubishi Limited in respect of performance bonds on contracts. The bonds outstanding at 31 March 2022 amounted to £2,655,531 (2021: £2,665,617).

25. Pension commitments

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year and amounted to £678,467 (2021:

£668,421). There were no contributions payable to the scheme as at 31 March 2022 (2021: £nil).

26. Commitments under operating leases

At 31 March 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022	2021
	£	£
Not later than 1 year	261,757	312,236
Later than 1 year and not later than 5 years	417,004	604,647
	678,761	916,883

27. Related party transactions

The Company has taken the exemption available under Section 33 of Financial Reporting Standard 102 not to disclose transactions with other wholly owned members of the Group.

28. Post balance sheet events

Following the year end, the Company reduced it's share capital to a total of £2m. On 4th July 2022 the Company declared a dividend of £1.1m.

29. Controlling party

The immediate parent undertaking is Yokogawa Europe B.V., a company incorporated in the Netherlands.

The ultimate parent company is Yokogawa Electric Corporation, a company incorporated in Japan. The consolidated financial statements of Yokogawa Electric Corporation are the smallest and largest group into which the results of the company are consolidated. The consolidated financial statements can be obtained from Yokogawa Electric Corporation, 9-32 Nakacho, 2-Chrome, Musashino, Tokyo 180, Japan.