

*Company number 01807381*

## **KBC Process Technology Limited**

Annual Report and Financial Statements

For the period ended 31 March 2017

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# **KBC Process Technology Limited**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

For the period ended 31 March 2017

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### **Directors**

A Rudman  
J R Jordan  
M Anderson

### **Secretary**

J R Jordan

### **Registered Office**

42-50 Hersham Road  
Walton on Thames  
Surrey, KT12 1RZ

### **Company number**

01807381

### **Auditor**

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

# KBC Process Technology Limited

## STRATEGIC REPORT

for the period ended 31 March 2017

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### Review of the business and future developments

2016/17 was a period of continuing progress but also significant change given the acquisition made by Yokogawa Electric Corporation in April 2016 of the entire KBC group. This saw a number of one-off costs incurred which are explained below.

With the support of a strong ultimate parent company, KBC looks forward to targeting larger customers, combining expertise and continuing to develop and promote our core consulting and technology offering.

We continue to target growth markets such as the Middle East. Here, new world-scale refinery and petrochemical facilities are being built which will need a large number of skilled workforces, requiring services in organisational and skill enhancements well suited to KBC's service offerings.

Contract awards for the 15 month period were £33.6m, down 13% on 2015's annual total of £38.4m. 2015 had significant contract wins in the Middle East which could not be replicated in the current year. The consequent workload backlog at 31 March 2017 was £32.1m compared to £32.0m at 31 December 2015.

Revenue for the 15 month period increased by 33% to £57.6m compared to 2015 annual amount of £43.3m resulting in an operating profit of £2.6m (12 months to 31 December 2015: £4.0m).

The cash balance of £6.1m has increased from 31 December 2015 by £3.2m.

During the period, Yokogawa Electric Corporation acquired the KBC group including all of its subsidiaries. A number of costs associated with the acquisition including legal and advisory costs and management bonuses were borne by KBC. These costs have been charged to operating profit and included within Staff costs and Other operating expenses (see note 3).

Following the acquisition, a reorganisation of the KBC group was announced at the end of the financial year in order to align the objectives and the strategy with our new ultimate parent company. The costs have been charged to operating profit and included within Other operating charges (see note 3).

### Key performance indicators (KPIs)

The directors consider that the company's financial KPIs are revenue, contract awards and backlog, cash collection and operating result.

### Principal risks and uncertainties

The company's principal financial instruments are trade debtors, trade creditors, cash and cash equivalents. The main purpose of these financial instruments is to finance the company's ongoing operational requirements.

The financial risks faced by the company are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The company does not trade in financial instruments.

Policies for the management of these risks are shown below.

#### *a) Foreign currency risk*

Where a revenue currency differs from that in which costs are incurred, consideration is given as to whether a proportion of the foreign exchange exposure is offset using forward exchange contracts in the currency markets, managed at the parent level.

# KBC Process Technology Limited

STRATEGIC REPORT continued  
for the period ended 31 March 2017

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## Financial risk management

### *b) Credit risk*

The company's principal financial assets are trade debtors, bank balances and cash. The main credit risk faced is attributable to the trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts which are made where there are circumstances which based on experience are evidence of a likely reduction in the recoverability of the debt.

As the majority of the company's clients are state-owned or very large oil companies, the risk of non-payment tends to be less of the traditional credit nature and more related to client satisfaction. The minority of clients who are not state-owned or very large oil companies are generally non-asset owners and potential investors. For this minority of clients the credit risk is assessed using a number of methods and payment terms are tightened as appropriate.

The company does not prepare any formal analysis of the credit rating of its customers.

### *c) Liquidity risk*

Client payment terms vary from contract to contract and can involve extended periods of time before invoices are raised. The liquidity risk is managed through use of the parent company's facilities.

The strategic report was approved by the board on 17 July 2017

By order of the board



J R Jordan  
Company Secretary

# **KBC Process Technology Limited**

## **REPORT OF THE DIRECTORS**

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The directors present their annual report and audited financial statements for the period ended 31 March 2017.

### **Results and dividends**

The profit and loss account is set out on page 6 and shows the result for the period.

The financial statements have been prepared for the 15 month period ended 31 March 2017. Previously the financial statements have been prepared annually ending 31 December. The change in the reporting period end to 31 March is to make the financial statements co-terminus with the ultimate parent undertaking, Yokogawa Electric Corporation. Therefore the amounts presented in these financial statements are not entirely comparable.

The directors do not propose the payment of a dividend (2015: £nil).

### **Directors**

The directors of the company during the year are:

A Rudman

J R Jordan

M Anderson

D J Parsons (resigned 10 March 2017)

### **Qualifying third party indemnity provisions**

The company has arranged qualifying third party indemnity for all of its directors.

### **Share options and incentive plans**

Details of the company's share options and incentive plans are provided in Note 14.

### **Post balance sheet events**

There have been no material events that have affected the profit and loss account after the balance sheet

### **Research and development**

Research and development costs are expensed as incurred.

### **Branches outside the UK**

In addition to the UK business, the company operates through branches or representative offices present in the Netherlands, Japan, the Russian Federation, Bahrain and South Korea. In June 2016, the South Korea branch was closed and liquidated.

### **Financial risk management**

The directors are responsible for considering all areas of risk that may affect the operations of the company and for setting policies designed to minimise the impact the financial risk may have on the business.

Details of the company's principal risks and uncertainties are provided in the strategic report.

# KBC Process Technology Limited

## REPORT OF THE DIRECTORS continued

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### Statement of Directors' responsibilities

The directors are responsible for preparing the Annual 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; and
- 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.

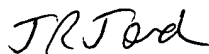
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Registered auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**By order of the board**



J R Jordan  
Company Secretary

17 July 2017

## **KBC Process Technology Limited**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KBC PROCESS TECHNOLOGY LIMITED**

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We have audited the financial statements of KBC Process Technology Limited for the period ended 31 March 2017 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is 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'.

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.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the period 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.

#### **Opinion 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 period 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.

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 any material misstatements in the Strategic Report and the Directors' Report.

## KBC Process Technology Limited

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KBC PROCESS TECHNOLOGY LIMITED continued

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#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Jonathan Thomson (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP.

Statutory Auditor  
London, United Kingdom

Date

17 July 2017



## KBC Process Technology Limited

### PROFIT AND LOSS ACCOUNT

for the period ended 31 March 2017

	Notes	15 months to 31 Mar 2017 £000	12 months to 31 Dec 2015 £000
<b>TURNOVER</b>	2	<b>57,641</b>	43,305
Staff costs	4	(17,337)	(12,350)
Depreciation		(681)	(323)
Other operating expenses		(36,992)	(26,661)
<b>OPERATING PROFIT</b>	3	<b>2,631</b>	3,971
Interest receivable and similar income	5	150	145
Interest payable and similar expenses	5	(1,134)	(878)
<b>PROFIT BEFORE TAX</b>		<b>1,647</b>	3,238
Tax on profit or loss	6	(315)	(770)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>		<b>1,332</b>	2,468

All amounts relate to continuing activities.

There were no items of other comprehensive income in the current period or prior year and accordingly no statement of comprehensive income has been prepared

The notes on pages 10 to 21 form part of these financial statements.

# KBC Process Technology Limited

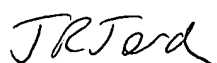
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## BALANCE SHEET

as at 31 March 2017

		As at 31 Mar 2017		As at 31 Dec 2015	
	Notes	£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible assets	7		1,095		963
Investments	8		3,486		3,486
			<u>4,581</u>		<u>4,449</u>
<b>CURRENT ASSETS</b>					
Debtors: amounts falling due within one year	9	103,450		71,994	
Deferred tax assets	16	424		319	
Cash at bank and in hand		6,107		2,927	
		<u>109,981</u>		<u>75,240</u>	
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(105,792)</u>		<u>(73,207)</u>	
<b>NET CURRENT ASSETS</b>			4,189		2,033
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>8,770</u>		<u>6,482</u>
Provisions for liabilities and charges	11		52		36
<b>NET ASSETS</b>			<u>8,718</u>		<u>6,446</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	12		441		441
Share premium account	13		10,759		10,759
Capital contribution reserve	13		-		1,484
Profit and loss account	13		(2,482)		(6,238)
<b>SHAREHOLDERS' FUNDS</b>	13		<u>8,718</u>		<u>6,446</u>

The financial statements were approved by the board of directors and authorised for issue on 17 July 2017



J R Jordan  
Director

The notes on pages 10 to 21 form part of these financial statements.

# KBC Process Technology Limited

Company number: 01807381

## STATEMENT OF CHANGES IN EQUITY

for the period ended 31 March 2017

	Notes	Share capital £000	Share premium account £000	Capital contribution reserve £000	Profit and loss account £000	Total £000
<b>At 1 January 2016</b>		<b>441</b>	<b>10,759</b>	<b>1,484</b>	<b>(6,238)</b>	<b>6,446</b>
<b>Total comprehensive income for the period</b>		-	-	-	<b>1,332</b>	<b>1,332</b>
<b>Share-based payments</b>	14	-	-	<b>940</b>	-	<b>940</b>
<b>Capital contribution reserve transfer<sup>1</sup></b>		-	-	<b>(2,424)</b>	<b>2,424</b>	-
<b>At 31 March 2017</b>		<b>441</b>	<b>10,759</b>	<b>-</b>	<b>(2,482)</b>	<b>8,718</b>
<b>At 1 January 2015</b>		<b>441</b>	<b>10,759</b>	<b>1,210</b>	<b>(8,706)</b>	<b>3,704</b>
<b>Total comprehensive income for the year</b>		-	-	-	<b>2,468</b>	<b>2,468</b>
<b>Share-based payments</b>	14	-	-	<b>274</b>	-	<b>274</b>
<b>At 31 December 2015</b>		<b>441</b>	<b>10,759</b>	<b>1,484</b>	<b>(6,238)</b>	<b>6,446</b>

<sup>1</sup> On exercise or lapse of all outstanding share options in the period, the company authorised the transfer from the capital contribution reserve to the profit and loss account.

The notes on pages 10 to 21 form part of these financial statements.

# KBC Process Technology Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2017

### 1. ACCOUNTING POLICIES

#### ***Basis of preparation***

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The company is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. The accounts therefore present information about the company only and not about the group.

The financial statements have adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- share based payment disclosures
- financial instrument disclosures, including:
  - categories of financial instruments
  - items of income, expenses, gains or losses relating to financial instruments, and
  - exposure to and management of financial risks
- the requirement to disclose key management personnel compensation in total.

The financial statements are presented in pound sterling and rounded to the nearest thousand pound (£000) except where otherwise indicated.

The immediate parent company is KBC Advanced Technologies Limited (see note 20).

The financial statements have been prepared for the 15 month period ended 31 March 2017. Previously the financial statements have been prepared annually ending 31 December. The change in the reporting period end to 31 March is to make the financial statements co-terminus with the ultimate parent undertaking, Yokogawa Electric Corporation. Therefore the amounts presented in these financial statements are not entirely comparable.

The company is a private company limited by shares and is incorporated in England.

#### ***Tangible fixed assets***

Tangible fixed assets are stated at cost less accumulated depreciation. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, using the straight line method, as follows:

Leasehold improvements	the lease term or useful life if shorter
Fixtures, fittings & office equipment	five years
Computer hardware & software	three years

#### ***Trade and other debtors***

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for potential bad debts is made when there is objective evidence that the company will not be able to recover balances in full. The main factors used in assessing such impairment of trade debtors are the age of the balance and the circumstances of the individual customer. When the probability of recovery of a debtor balance is assessed as being remote, it is written off, together with any associated provision.

#### ***Provisions***

##### ***Onerous lease provision***

The company recognises a provision for liabilities of uncertain timing or amount for onerous leases. The provision is measured at the best estimate of the expected future rentals payable less expected future rentals receivable. The amount is discounted at a pre-tax rate which reflects the current market assessments of the time value of money and risks specific to the liability.

# KBC Process Technology Limited

## NOTES TO THE FINANCIAL STATEMENTS continued

for the period ended 31 March 2017

### 1. ACCOUNTING POLICIES (continued)

#### *Provisions continued*

##### *Restructuring provision*

The company recognises a restructuring provision when a detailed formal plan has been developed and has raised a valid expectation in those affected that the company will carry out the restructuring by announcing its main features to those affected by it. The measurement of a restructuring provision includes an estimate of the direct expenditures expecting to arise and excludes costs associated with the ongoing activities of the company.

##### *Investments*

Investments are stated at cost less accumulated impairment losses.

Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

##### *Current and deferred tax*

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

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

- where the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

##### *Foreign currencies*

Transactions in foreign currencies are recorded in pounds sterling, which is the functional currency of the company, at the rate ruling at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Retranslation differences are recognised in each period. All differences are taken to the profit and loss account.

Profits, losses and cash flows of overseas branches are translated at the average rate of exchange ruling during the period as it is a reasonable approximation of the actual transaction rate. The balance sheets of overseas branches are translated at the rate of exchange ruling at the balance sheet date.

The exchange differences arising on the retranslation of opening net assets and of results for the year are taken directly to reserves until the disposal of the net investments, at which time they are recognised in the profit and loss account. All other translation differences are taken to the profit and loss account.

##### *Research and development*

Research and development costs are expensed as incurred.

# KBC Process Technology Limited

## NOTES TO THE FINANCIAL STATEMENTS continued

for the period ended 31 March 2017

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### 1. ACCOUNTING POLICIES (continued)

#### **Turnover**

##### *Fixed price service contracts*

Turnover on fixed price service contracts is recognised using the percentage-of-completion method. Under this method revenues recorded represent the aggregate of costs incurred during the year and a portion of estimated profit on individual contracts based on the relationship of costs incurred to total estimated costs for each contract. Revisions in estimates are reflected in the accounting period when the revision becomes known. Anticipated losses on contracts are charged to income in their entirety when the losses become evident.

##### *Time and material contracts*

Revenue for time and materials contracts is recognised as services are performed, generally on the basis of contract allowable labour hours worked multiplied by the contract defined billing rates, plus allowable direct costs and expenses incurred in connection with the performance of the contract.

Amounts received in excess of revenue recognised are shown as deferred revenue.

Contract work in progress is included in trade and other receivables and represents revenue recognised in excess of payments on account.

##### *Service consulting and software maintenance*

Turnover from service consulting and software maintenance is recognised over the period in which services are provided.

##### *Software licences*

Turnover from licence sales is recognised once the software has been delivered and when no significant contractual obligations remain. Turnover from ongoing maintenance, support and upgrades is recognised over the contractually agreed period.

##### *Royalties*

Revenue from royalty contracts held with resellers is recognised when it becomes receivable from the resellers.

#### **Leasing commitments: lessee**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and are charged to the profit and loss account on a straight-line basis over the term of the lease.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 1 January 2014 to continue to be charged over the shorter period to the first market rent review rather than the term of the lease. For leases entered into on or after 1 January 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

#### **Leasing commitments: lessor**

Where the company has sublet part of its premises, income is taken to the profit and loss account on a straight-line basis over the sublease term.

#### **Financial instruments**

Basic financial instruments, including trade and other receivables, cash and bank balances and trade and other payables, are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

# KBC Process Technology Limited

## NOTES TO THE FINANCIAL STATEMENTS continued

for the period ended 31 March 2017

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### 1. ACCOUNTING POLICIES (continued)

#### ***Bonuses and penalties***

Where some or all of a contract's revenues are dependant on the impact of KBC's performance (e.g. in identifying benefits of changes in a client's operations), that element of revenue is only recognised once the contract is sufficiently advanced that it is probable that the performance target will be met and the bonus can be measured reliably. Penalties on contracts are provided for at the directors' best estimate of the expenditure required to settle the liability.

#### ***Holiday pay accrual***

The company recognises a liability for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The liability is measured at the salary cost payable for the period of absence.

#### ***Retirement benefit costs***

The company operates contributory pension schemes covering the majority of its permanent employees. The schemes' funds are administered by trustees and are independent of the company's finances. The schemes are defined contribution schemes and there are no commitments other than the regular contributions which are charged against the profit and loss account in the year in which they become payable.

#### ***Share-based payments***

The KBC group operates a number of executive and employee share schemes. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employee becomes fully entitled to the award. The cumulative expense recognised at each reporting date reflects the extent to which the vesting period has elapsed and the number of awards that, in the opinion of the directors of the company at that date, will vest and for which the performance conditions will be met. At each balance sheet date before vesting, the cumulative expense is calculated and the movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity. No expense is recognised for awards that do not ultimately vest.

#### ***Significant judgements and estimates***

Preparation of the financial statements requires management to make significant judgements and estimates. The item in the financial statements where judgements and estimates have been made include:

##### ***a. Revenue recognition***

Revenue on fixed price service contracts is recognised using the percentage-of-completion method by measuring the proportion of costs incurred for work performed to total estimated costs.

These estimated costs are updated during the term of the contract, and may result in revision by the company of recognised revenue and estimated costs in the period in which they are identified. Profits on fixed price service contracts result from the difference between incurred costs and revenue earned. Contract accounting requires significant judgement relative to assessing risks, estimating contract revenue and costs, and making assumptions for scheduling and technical issues. Due to the size and nature of many of the company's contracts, developing total revenue and cost at completion estimates requires the use of significant judgement.

In estimating the expected contract revenue and costs, historical performance gained from other such contracts and experience is used, which carries a risk that the judgements applied may not reflect the future outturn of the project.

Management does not consider there to be any key assumptions concerning the future, or other sources of key estimation uncertainty at the reporting date that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

# KBC Process Technology Limited

## NOTES TO THE FINANCIAL STATEMENTS continued

for the period ended 31 March 2017

### 2. TURNOVER

Turnover represents the amounts derived from the continuing provision of services which fall within the company's principal activity, stated net of VAT.

An analysis of turnover by geographical market is given below:

	15 months to 31 Mar 2017 £000	12 months to 31 Dec 2015 £000
United Kingdom	20,553	12,424
Rest of Europe	9,297	7,474
Rest of the World, outside of Europe	27,791	23,407
	<b>57,641</b>	<b>43,305</b>

An analysis of turnover analysed by category is as follows:

	£000	£000
<b>Consulting</b>		
Fixed price service contracts	22,088	17,542
Time and material contracts	2,372	3,417
	<b>24,460</b>	<b>20,959</b>
<b>Technology</b>		
Software licences	4,349	5,124
Software maintenance	5,721	4,014
Royalties	2,209	1,547
Service consulting	1,006	719
	<b>13,285</b>	<b>11,404</b>
Total external revenue	<b>37,745</b>	<b>32,363</b>
Total internal revenue	<b>19,896</b>	<b>10,942</b>
<b>Total revenue</b>	<b>57,641</b>	<b>43,305</b>

### 3. OPERATING PROFIT

This is stated after charging / (crediting) the following:

	15 months to 31 Mar 2017 £000	12 months to 31 Dec 2015 £000
Auditor's remuneration		
- audit services	47	36
- non-audit compliance services	-	42
- taxation advisory services	-	28
Depreciation of tangible fixed assets	681	323
Employee benefits expense		
- Post employment benefits: defined contribution plans	951	795
- Share-based payments (see note 14)	940	274
- Other employee benefits	1,086	954
Total employee benefits expense	<b>2,977</b>	<b>2,023</b>
Costs of reorganisation (see note 11)	706	-
Costs of acquisition	2,346	-
Foreign exchange gain	(2,474)	(150)
Operating lease rentals		
- land and buildings	1,406	1,087
- other	71	48
- sublease rentals received	(807)	(417)

Costs of acquisition relate to the KBC group being acquired by Yokogawa Electric Corporation during the period. The company incurred a number of costs associated with the acquisition which would not have arisen as part of the normal course of business.



# KBC Process Technology Limited

## NOTES TO THE FINANCIAL STATEMENTS continued

for the period ended 31 March 2017

<b>4. EMPLOYEES</b>	<b>15 months to 31 Mar 2017 £000</b>	<b>12 months to 31 Dec 2015 £000</b>
<b>a. Staff costs (including directors)</b>		
Wages and salaries	13,998	10,119
Social security costs	1,448	1,162
Share-based payments (see note 14)	940	274
Defined contribution pension costs	951	795
	<u>17,337</u>	<u>12,350</u>
The average monthly number of employees during the year was as follows:	<b>No.</b>	<b>No.</b>
Management	2	2
Technical	76	83
Administrative	44	46
	<u>122</u>	<u>131</u>
<b>b. Directors' emoluments:</b>	<b>15 months to 31 Mar 2017 £000</b>	<b>12 months to 31 Dec 2015 £000</b>
Emoluments	903	418
Compensation for loss of office	78	-
Share-based payments	143	51
Company contributions to pension scheme	61	35
	<u>1,185</u>	<u>504</u>
Four directors (2015: two directors) exercised share options in the immediate parent company in the year.		
Gain on share options exercised in the year	<u>596</u>	<u>74</u>
Emoluments of highest paid director	256	148
Compensation for loss of office	78	-
Share-based payments for highest paid director	33	18
Company contributions to pension scheme for highest paid director	17	12
	<u>384</u>	<u>178</u>
Gain on share options exercised in the year for highest paid director	<u>104</u>	<u>37</u>
	<b>No.</b>	<b>No.</b>
Directors who are members of defined contribution pension schemes	<u>4</u>	<u>4</u>
Emoluments are paid to directors of the company for their services to the group as a whole and the entire cost is recorded as emoluments in this company.		
<b>5. INTEREST INCOME AND EXPENSES</b>	<b>15 months to 31 Mar 2017 £000</b>	<b>12 months to 31 Dec 2015 £000</b>
<b>Interest receivable and similar income</b>		
Intercompany interest receivable	149	144
Bank interest receivable	1	1
	<u>150</u>	<u>145</u>

# KBC Process Technology Limited

## NOTES TO THE FINANCIAL STATEMENTS continued

for the period ended 31 March 2017

5. INTEREST INCOME AND EXPENSES (continued)	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
Interest payable and similar expenses		
Intercompany interest payable	1,106	764
Bank interest payable	-	3
Other finance costs	28	111
	<u>1,134</u>	<u>878</u>

6. TAXATION ON PROFIT	15 months to 31 Mar 2017	12 months to 31 Dec 2015
a. Tax on profit	£000	£000
The tax charge is made up as follows:		
<b>Current tax expense</b>		
Income tax of UK and overseas operations	421	303
Withholding taxes payable	20	273
Adjustments in respect of prior periods	(21)	219
	<u>420</u>	<u>795</u>
<b>Deferred tax expense</b>		
Deferred tax credit for current period	(105)	(46)
Adjustment for under/(over) provision in prior periods	-	21
Tax on profit	<u>(105)</u>	<u>(25)</u>
<b>Total tax expense</b>	<u>315</u>	<u>770</u>

### b. Reconciliation of total tax expense

The tax assessed on the profit for the period is lower (2015: higher) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are reconciled below:

	15 months to 31 Mar 2017	12 months to 31 Dec 2015
	£000	£000
Profit before tax	1,647	3,238
Profit multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	329	656
Expenses not deductible for tax purposes	4	25
Tax losses brought forward set against current profits	(75)	(665)
Research and development expenditure credit	52	-
Foreign tax due in respect of permanent establishments	421	303
Foreign tax costs deductible for tax purposes	(4)	(55)
Irrecoverable withholding taxes	20	273
Change in statutory rate	12	36
Statutory deduction in relation to share options	(527)	-
Adjustment for (over) / under provision in prior periods	(21)	240
Other	104	(43)
Total tax expense	<u>315</u>	<u>770</u>

6a.

Future tax charges will principally be affected by continuing higher overseas tax rates.

# KBC Process Technology Limited

## NOTES TO THE FINANCIAL STATEMENTS continued

for the period ended 31 March 2017

### 7. TANGIBLE FIXED ASSETS

	Leasehold improvements £000	Fixtures, fittings & office equipment £000	Computer hardware & software £000	Total £000
<b>Cost:</b>				
at 1 January 2016	1,385	213	1,301	2,899
Additions	-	1	809	810
Foreign exchange rate movements	4	18	11	33
<b>At 31 March 2017</b>	<b>1,389</b>	<b>232</b>	<b>2,121</b>	<b>3,742</b>
<b>Depreciation:</b>				
at 1 January 2016	1,166	125	645	1,936
Depreciation charge for the period	109	29	543	681
Foreign exchange rate movements	2	18	10	30
<b>At 31 March 2017</b>	<b>1,277</b>	<b>172</b>	<b>1,198</b>	<b>2,647</b>
<b>Net book value at 31 March 2017</b>	<b>112</b>	<b>60</b>	<b>923</b>	<b>1,095</b>
Net book value at 31 December 2015	219	88	656	963

### 8. INVESTMENTS

	<b>£000</b>
Cost and net book value at 31 March 2017 and 1 January 2016	<b>3,486</b>

The company holds equity in the following companies:

	Place of incorporation	Place of operation	Proportion of ownership interest	
			<b>As at 31 Mar 2017</b>	<b>As at 31 Dec 2015</b>
KBC Process Technology (Middle East) Limited	England	UAE	100%	100%
KBC Advanced Technologies Sdn Bhd	Malaysia	Malaysia	10%	10%
KBC Advanced Technologies (Thailand) Limited	Thailand	Thailand	1%	1%

The nature of all above businesses is consulting services to the oil industry.

# KBC Process Technology Limited

## NOTES TO THE FINANCIAL STATEMENTS continued

for the period ended 31 March 2017

9. DEBTORS	As at 31 Mar 2017 £000	As at 31 Dec 2015 £000
Trade debtors	6,949	4,811
Prepayments and accrued income	1,326	975
Amounts owed by group undertakings	81,880	54,148
Amounts recoverable on contracts	12,532	11,828
Overseas tax receivable	763	232
	<b>103,450</b>	<b>71,994</b>

10. CREDITORS: amounts falling due within one year	As at 31 Mar 2017 £000	As at 31 Dec 2015 £000
Payments on account on contracts	3,985	2,570
Trade creditors	804	806
Amounts owed to group undertakings	98,140	67,569
Accruals	1,890	1,901
Corporation tax and overseas tax payable	328	343
Provisions (note 11)	645	18
	<b>105,792</b>	<b>73,207</b>

The company is subject to a cross guarantee banking arrangement with its immediate parent company, KBC Advanced Technologies Limited, and certain other group companies.

11. PROVISIONS	As at 31 Mar 2017 £000	As at 31 Dec 2015 £000
<i>Onerous lease provision</i>		
At 1 January	54	207
Charge/(credit) to income statement:		
Unwinding of discount	12	39
Provided during the period	50	31
Utilisation of provision	(46)	(223)
<b>At 31 March 2017 and 31 December 2015</b>	<b>70</b>	<b>54</b>
Due within one year or less (note 10)	18	18
Due after more than one year	52	36
	<b>70</b>	<b>54</b>
<i>Reorganisation provision</i>		
At 1 January	-	-
Charge to the income statement	706	-
Utilisation of provision	(79)	-
<b>At 31 March 2017 and 31 December 2015</b>	<b>627</b>	<b>-</b>

Reorganisation costs of £706,000 (2015: £nil) comprise the costs of a redundancy programme affecting the operational function of the business. The costs have been charged to operating profit and included in other operating expenses in the profit and loss account. The remaining amount is expected to be utilised within the next financial year and therefore has been classified as due within one year or less (note 10).

# KBC Process Technology Limited

## NOTES TO THE FINANCIAL STATEMENTS continued

for the period ended 31 March 2017

### 11. PROVISIONS (continued)

As a result of office rationalisation during 2012, a provision for future lease obligations was made based on the directors' best estimate of unavoidable costs associated with exit from the office space concerned. The lease to which this relates ends on 28 September 2018.

The onerous lease provision comprises the estimate of the excess of rents payable over potential rents receivable on sublet space within one of the company's properties. Uncertainties in measurement of the provision relate to estimates of the amount of rent that will be received in the future on the vacant space. The board considers that the current provision is adequate to cover future costs of the lease.

### 12. SHARE CAPITAL

	As at 31 Mar 2017 £000	As at 31 Dec 2015 £000
Issued and fully paid:		
440,898 (2015: 440,898) ordinary shares of £1 each	441	441

### 13. RESERVES

Called up share capital represents the nominal value of the shares that have been issued.

Share premium account includes any premiums received on issue of share capital.

Capital contribution reserve represents the capital introduced by the holding company, KBC Advanced Technologies Limited to reflect the charge in the profit and loss account for share-based payments. Further details relating to share-based payments are contained in Note 14.

As there are no longer any share options in existence as at the period end, the capital contribution reserve has been transferred to the profit and loss account.

Profit and loss account includes all current and prior period retained profits and losses.

### 14. SHARE-BASED PAYMENTS

The company previously had three share schemes that gave rise to share-based charges. All share options vested during the period and therefore at the year end there are no share options outstanding. The schemes were the Long Term Incentive Plan 2006 ("LTIP 2006"), the Discretionary Share Option Plan 2013 ("DSOP 2013") and the Unapproved Share Option Plan 2013 ("USOP 2013").

The final expense recognised for equity settled share-based payments in respect of employee services received during the period ended 31 March 2017 is £940,000 (2015: £274,000).

The assumptions made in arriving at the charge for each scheme are detailed below:

#### LTIP 2006

Directors and other staff have been granted rights to acquire shares in the parent company at nil cost under this plan introduced in 2006. Vesting is subject to performance criteria related to the parent company's EPS growth over a three year period. Failure to meet the performance criteria causes the awards to lapse.

For options granted under the LTIP, the share price on the date of grant has been determined to be the fair value of the options. These options carry a right to accrued dividends during their lifetime, have nil cost to the recipient and are not subject to market conditions.

No other features of option grants were incorporated into the measurement of fair value.

#### DSOP 2013

The DSOP 2013 granted options to eligible employees with the right to acquire shares for the nominal value of ordinary shares. The options are exercisable between one and ten years from the award date, subject to share price and time related performance conditions.

For options granted under the DSOP 2013, the share price on the date of grant has been determined to be the fair value of the options.

# KBC Process Technology Limited

## NOTES TO THE FINANCIAL STATEMENTS continued

for the period ended 31 March 2017

### 14. SHARE-BASED PAYMENTS (continued)

#### USOP 2013

The Unapproved Share Option Plan 2013 ("USOP 2013") granted options to eligible directors with the right to acquire shares for nil cost. The options are exercisable between six months and five years from the award date, subject to share price and EPS-related performance conditions.

For options granted under the USOP 2013, the market value on the date of grant has been determined to be the fair value of the options.

Full details of share option plans are given in the annual report of the immediate parent company, KBC Advanced Technologies Limited, which is available from the Company Secretary at 42-50 Hersham Road, Walton on Thames, Surrey, KT12 1RZ.

There are no share options outstanding at 31 March 2017.

### 15. LEASING COMMITMENTS

The company's future minimum operating lease payments are as follows:

	As at 31 Mar 2017 £000	As at 31 Dec 2015 £000
Within one year	108	46
Between one and five years	1,589	2,414
After five years	834	998
	<u>2,531</u>	<u>3,458</u>

The company's total rentals to be received under operating leases are as follows:

	As at 31 Mar 2017 £000	As at 31 Dec 2015 £000
Within one year	673	638
Between one and five years	283	1,126
	<u>956</u>	<u>1,764</u>

### 16. DEFERRED TAXATION

	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
<b>Recognised deferred tax assets:</b>			
At 1 January 2015	289	5	294
Profit and loss account credit / (charge)	46	(21)	25
At 1 January 2016	335	(16)	319
Profit and loss account credit	105	-	105
<b>At 31 March 2017</b>	<u>440</u>	<u>(16)</u>	<u>424</u>

No deferred tax asset in respect of carry forward trading losses has been recognised (2015: £nil).

# KBC Process Technology Limited

## NOTES TO THE FINANCIAL STATEMENTS continued

for the period ended 31 March 2017

16. DEFERRED TAXATION (continued)	As at 31 Mar 2017	As at 31 Dec 2015
Unrecognised deferred tax assets	£000	£000
Unrelieved tax losses carried forward against profits of future years	997	1,202

Of the unused tax losses, £997,000 (2015: £1,202,000) can be carried forward indefinitely.

These potential deferred tax assets have not been recognised because it is not probable that future tax profit will be available against which the company can utilise the benefits.

## 17. CAPITAL COMMITMENTS

At 31 March 2017 and 31 December 2015 the company had no capital commitments.

## 18. CONTINGENT LIABILITIES

### Performance guarantees

Bank-backed performance guarantees given to third parties as at 31 March 2017 are detailed below:

	Tender bonds £000	Advance payment & performance guarantees £000	Total £000	Cash Cover £000
At 31 March 2017	-	1,696	1,696	-
At 31 December 2015	2	1,934	1,936	5

The directors consider that given the history of non-drawing on any guarantee that these guarantees will not be called upon in the future.

For those guarantees which are secured by cash, the use of the cash is restricted by the terms of the guarantees.

## 19. EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events that have affected the profit and loss account after the balance sheet date.

## 20. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of KBC Advanced Technologies Limited, which is the immediate parent company registered in England and Wales. The ultimate controlling party is Yokogawa Electric Corporation, Japan.

At the balance sheet date, the smallest group in which the results of the company are consolidated is that headed by KBC Advanced Technologies Limited. The consolidated accounts of this company are available to the public and may be obtained from the Company Secretary at 42-50 Hersham Road, Walton on Thames, Surrey, KT12 1RZ. The largest group in which the results of the company are consolidated is that headed by Yokogawa Electric Corporation, a company listed on the Tokyo Stock Exchange. The consolidated accounts of this company are available to the public and may be obtained from the following website [www.yokogawa.com](http://www.yokogawa.com).