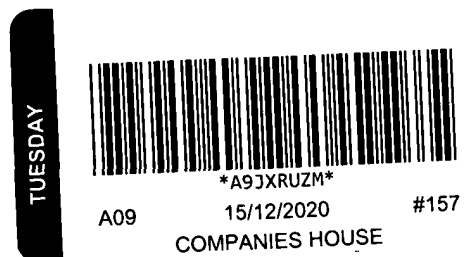


Company number 01807381

KBC Process Technology Limited

Annual Report and Financial Statements

For the year ended 31 March 2020



KBC Process Technology Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2020

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Directors

A Howell
M Hudson
S Scott

Registered Office

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

Company number

01807381

Auditor

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

KBC Process Technology Limited

STRATEGIC REPORT

For the year ended 31 March 2020

Review of the business and future developments

The mission and vision of the KBC group is to lead our clients to achieve sustainable autonomous operations in the Energy Transition for improved profitability, higher capital efficiency, and a reinforced license to operate. This will be achieved in the future by the delivery of deep domain expertise via a variety of digital technologies, including digital twin implementation, implementation of remote/unmanned operational centres, advanced digital simulation of client process, in-line with our client's digital roadmaps. We aim to work more closely with the wider group entities headed by Yokogawa Electric Corporation in order to achieve this joint vision.

Contract awards for the year were £32.9m which is an increase of 60% from the prior year (2019: £20.6m). The consequent workload backlog at 31 March 2020 was £37.2m compared to £24.6m at 31 March 2019.

Revenue for the year is £36.8m which is comparable with the prior year (2019: £36.9m). The operating profit for the year is £1.8m (2019: £1.2m) driven by a foreign exchange gain in the year.

The cash balance of £3.8m has decreased from 31 March 2019 by £1.6m relating to timing in converting amounts recoverable on contracts to cash largely driven by contractual terms.

The future potential impact of the COVID-19 pandemic on the Company is not yet known but may be significant. The Company continues to monitor the pandemic and its impact to ensure appropriate actions can be taken to mitigate risks. See page 2 for an assessment of the anticipated financial impact.

Key performance indicators (KPIs)

The following KPIs are monitored and discussed at board level to determine the performance, development and position of the Company.

	2020	2019
Revenue from Consulting (£m)	8.7	9.8
Revenue from Technology (£m)	14.3	12.4
Pipeline of contracted work (£m)	37.2	24.6
Operating margin (%)	4.8	3.3
Profit before tax (£m)	1.4	0.8

There are no non financial KPIs.

Principal risks and uncertainties

a) Economic and social

Changes in the market sectors, including oil price, energy demand, M&A activity and the availability to our clients of skilled staff, can all impact upon the volume of business available to KBC. However KBC's software maintenance revenue provides recurring cashflows that should not alter significantly in a downturn.

Mitigation: Short term declines in economic conditions are primarily mitigated by addressing operating costs, investments, recruitments, and other spending that can be temporarily reduced without impacting KBC's long-term vision and mission. Mid and long-term declines in market sectors are mitigated by leveraging Yokogawa's broad depth and access to industry and customers. We rely on Yokogawa to support our working capital needs, long term investments in technology, and the optimisation of an efficient and compliant capital and tax structure

KBC Process Technology Limited

STRATEGIC REPORT continued

For the year ended 31 March 2020

a) Economic and social continued

Coronavirus

The COVID-19 pandemic has caused significant business interruption and a downturn in the economy. The full impact of the virus is unknown, but we have assessed the following risks and mitigating actions:

Staff welfare

Given the rapid spread of coronavirus, the Group has taken actions to safeguard the welfare of all employees and established a crisis response team to prioritise employee wellbeing in the first instance. KBC worked to ensure safe repatriation of our employees back to their home location, banned travel and visitors to our offices and adopted new home working practices and flexible working patterns. Our IT infrastructure has been successful to support a 100% work from home capability in effect during the pandemic.

Financial impact

In the first quarter, the Company has seen a reduction in revenue caused by the inability to travel to its clients to execute contractual milestones embedded in our client contracts. The Company is actively taking steps to mitigate costs to partly offset any reduction in revenues, and to preserve cash for its working capital.

We foresee a potential upswing in commercial activity in the second half of 2020, as refinery owners look to reconfigure plant assets and optimise assets based on fundamental changes in fuel product type demands between gasoline, marine fuel, jet fuel, diesel, etc. We anticipate increased demand in due diligence advisory services in second half 2020 as investors look to divest, merge, acquire, and swap assets and the associated bank requirements to provide assurance and feasibility by independent sources. We have seen a number of tender opportunities which have arisen on this basis. This upswing may be dependent on the lifting of travel restrictions, but we are actively working with our clients to work remotely and utilise resources which are located in-country.

The COVID-19 coronavirus pandemic could also result in changes to the outlook in the Company's markets. Areas of the Company's business that could be impacted include a decrease in software spending by the Group's major customers, the deferral of planned consulting work, failure to obtain awards for contracts and the inability of the Company to meet contractual delivery requirements on time. If the Company were unable to obtain appropriate funding from its parent, it could be forced to make further reductions in spending and /or suspend or curtail planned development programmes. Any of the above could have a material adverse effect on the Company's business, financial condition and results of operations.

b) Political and environmental

Some of KBC's work and proposed work is in regions subject to political changes and environmental disasters which could disrupt the markets or affect our ability to execute work for clients and/or collect payment for work performed.

Mitigation: Appropriate payment terms are negotiated whenever possible to ensure KBC's exposure is minimised and the nature of our contracts requires us to work in a flexible manner. Resourcing is managed globally which enables us to adapt and redeploy the workforce as and when necessary. We minimise fixed overhead in countries at risk. Security consultants are retained for advice on potential risk and we avoid working in very high risk or hostile areas.

KBC Process Technology Limited

STRATEGIC REPORT continued

For the year ended 31 March 2020

b) Political and environmental continued

UK exit from the European Union

One of these political changes is the impact of Brexit. The company has assessed the following areas below:

Tariff and customs

Subject to a deal that is negotiated between the UK and EU, there may be additional tariffs and duties levied. In addition, there could be additional withholding taxes levied between EU countries and the UK. The company will mitigate any such risks by seeking optimum use of its global contracting entities including those of our parent entity and respective subsidiaries.

Human Capital

KBC's business relies on the use of subject matter experts across the world. However, KBC does not currently rely on talent transfers between the UK and EU and therefore we expect the area of human capital to be low impact. We recognise there could be an added administrative burden to the travel of our UK based consultants. As the business grows, we will consider the optimum location to recruit Eurozone based staff.

c) Market risks

There is a risk of slow adoption of upstream software by oil and gas companies. It is a normal risk for all consulting firms, including KBC, that their services are discretionary and are subject to change and cancellation by clients at short notice.

Mitigation: We are conservative in our forecasting of software revenues from the upstream sector and focus our sales efforts on the large oil field service companies to endorse KBC's products and introduce our software to the upstream industry. Our mix of manpower includes use of associate consultants for certain skills and to retain some flexibility in the staff numbers. The compensation structure at senior levels now includes a significant proportion of variable pay. In addition, we continue to consider different scenarios when forecasting resourcing needs of the business.

d) Foreign currency risk

Most transactions continue to be in US dollars, euro or pound sterling. The company's policy, where possible, is to sign contracts that match the currency to that in which expenses are incurred. Where appropriate the company will consider hedging against the foreign currency translation exposure arising on their results

e) Credit risk

The main credit risk faced is attributable to trade receivables. 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 and/or trade sanctions.

Mitigation: The company undertakes background checks prior to engagement with a client for the first time and monitor new opportunities with customers who have defaulted on payments previously. Wherever possible, early cash flow is incorporated into contract terms. Provision is made for doubtful receivables when there are circumstances which, based on experience, are evidence of a likely reduction in the recoverability of the receivable.

f) Liquidity risk

Client payment terms vary from contract to contract and can involve extended periods of time before invoices are raised and cash flow can be irregular.

Mitigation: The company is supported by the strong financial backing of its ultimate parent entity Yokogawa Electric Corporation.

KBC Process Technology Limited

STRATEGIC REPORT continued

For the year ended 31 March 2020

Section 172(1) statement

This statement requires directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the company's employees and other stakeholders, including the impact of its activities on the community, the environment and the company's reputation, including our parent entity Yokogawa, when making decisions. Acting in good faith and fairly, the Directors consider what is most likely to promote the success of the company for its members in the long term. The revised Code has reinforced and explained on the requirements of the UK Companies Act for directors to remain mindful of their duties to consider the interests of key stakeholders. The Directors understand the decisions being made impact not only on our people but also many stakeholders who have an interest in our business.

Employees

Employees are critical to the operation and success of the company. For our business to succeed, it needs to manage our employee's performance and development, bringing through talent whilst ensuring we operate efficiently. Foremost to this, we need to ensure the safety of our employees as they travel globally to fulfil the commitments of their role. There are number of ways in which KBC engage with our employees including employee engagement surveys, regular communications via town hall meetings and the intranet which includes a wide range of people policies covering every aspect of the employee lifecycle. Recently this included guidance and best practice on remote working as all offices were closed due to COVID-19.

Clients and customers

The company understands that customers are central to the success of the business and the Directors aim to ensure our business is adaptable and innovative to ensure customer satisfaction.

The directors engage with customers directly through visits and via customer feedback, and look to make decisions to support the customer's requirements and requests. During the year, key contracts have been awarded with the directors being involved from initiation to the final sign off. We have seen the landscape changing in recent years with KBC working with customers to offer a contract price which is dependent on the level of success experienced by the customer. This ensures that KBC work with our clients to create the best possible outcome for both parties.

Suppliers

Our aim is to develop and maintain strong relationships with our suppliers. We value our suppliers and the company hold multi-year contracts with key suppliers. As common in consultancy organisations, the workforce is supplemented in peak periods with the use of associates and subcontractors. Appropriate controls are put in place to procure and manage this resource to ensure their safety and provide quality service to our customers. The Group conducts an annual review of policies and processes to ensure that we are compliant with the Modern Slavery Act 2015 and payment policies, practices and performance reporting requirements.

Society and the community

Our ultimate parent entity, Yokogawa Electric Corporation, has set goals of achieving net zero emissions, well-being of all and circular economy and is working towards sustainability targets linked to the United Nations Sustainable Development Goals. As a Yokogawa company we are proud to be part of this vision, making the world a better place through our digitalisation technologies, practices and people.

The likely consequences of any decision in the long term

Our long-term objective is to achieve a sustainable rate of growth and support the long-term vision of our ultimate parent entity Yokogawa Electric Corporation. The Directors, acknowledge that they have a fiduciary duty to all stakeholder groups, ensuring they are considered during their decision-making process. The Directors are satisfied that they have met the requirements of the Companies Act in particular the requirements of section 172(1).

KBC Process Technology Limited

STRATEGIC REPORT continued

For the year ended 31 March 2020

The strategic report was approved by the board on 14 September 2020.

Approved for issue by the board of directors

A handwritten signature in black ink, appearing to read 'A Howell', is positioned above the printed name and title.

A Howell
Director

KBC Process Technology Limited

REPORT OF THE DIRECTORS

The directors present their annual report and audited financial statements for the year ended 31 March 2020.

Principal activity

The company's principal activity is the provision of profit improvement services to the hydrocarbon and energy industries.

Directors

The directors of the company during the year and up to the date of signing are:

A Howell (appointed 1 December 2019)

A Rudman (resigned 1 January 2020)

J R Jordan (resigned 1 November 2019)

M Anderson (resigned 1 January 2020)

M Hudson (appointed 1 December 2019)

S Scott (appointed 1 December 2019)

The directors do not propose the payment of a dividend (2019: £nil).

Qualifying third party indemnity provisions

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

Going concern

The COVID-19 pandemic has evolved rapidly during 2020. The directors anticipate an impact on the Company's financial performance in the next financial year as we expect a decrease in revenues recognised over time as we anticipate a delay in project execution. This is expected to occur due to the ongoing restrictions on travel and access to client sites. We have also seen a substantial decline in commercial activity as businesses implement temporary restrictions in response to COVID-19, however we expect this to recover in the second half of the year as lockdown restrictions have begun to be eased in a number of our key operating locations, including the Middle East and Russia.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The company is currently in a net current assets and net assets position, however, the KBC group was loss-making in the current and prior years and is in a net current liabilities position, largely due to short-term intercompany loans which are renewed every 6 months, in line with the Yokogawa Group's treasury policy. The ultimate parent company, Yokogawa, has indicated in writing that, for at least 12 months from the date of approval of these financial statements, it will continue to make available funds as are needed by the group and its subsidiaries to meet its liabilities as they fall due and in particular will not seek repayment of amounts currently made available. While there remains significant uncertainty as to the future impact of the COVID-19 pandemic, the Company and its ultimate parent entity Yokogawa continue to conduct ongoing risk assessments of the potential impact of the pandemic on its business operations and liquidity. Thus the Company continues to adopt the going concern basis of accounting in preparing the financial statements.

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 and Bahrain.

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.

Future developments

Details of future developments can be found in the Strategic Report and forms part of this report by cross reference.

KBC Process Technology Limited

REPORT OF THE DIRECTORS continued

Engagement with suppliers, customers and other relationships

Engagement with key stakeholders can be found in the Strategic Report and forms part of this report by cross reference.

Energy and Carbon Reporting

This disclosures required by the Companies Act 2006 in relation to energy and carbon reporting can be found in the parent company financial statements of KBC Advanced Technologies Limited.

Directors' responsibilities statement

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 under FRS 102 in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director 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 year.

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.

Registered auditor

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 auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

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

Approved for issue by the board of directors



A Howell
Director

14 September 2020

KBC Process Technology Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of KBC Process Technology Limited ('the company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

- We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

KBC Process Technology Limited

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

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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 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.

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 or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Ivan Boonzaaier (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

Date 15 September 2020

KBC Process Technology Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2020

	Notes	2020 £000	2019 £000
TURNOVER	3	36,829	36,893
Staff costs	5	(8,999)	(8,490)
Depreciation		(187)	(424)
Other operating expenses		(25,858)	(26,758)
OPERATING PROFIT	4	1,785	1,221
Interest receivable and similar income	6	265	374
Interest payable and similar expenses	6	(602)	(807)
PROFIT BEFORE TAX		1,448	788
Tax on profit	7	617	(120)
PROFIT FOR THE FINANCIAL YEAR		2,065	668

All amounts relate to continuing activities.

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

The notes on pages 13 to 25 form part of these financial statements.

KBC Process Technology Limited

Company number: 01807381

BALANCE SHEET

as at 31 March 2020

		2020		2019	
	Notes	£000	£000	£000	£000
FIXED ASSETS					
Intangible assets	8		31		78
Tangible assets	9		205		224
Investments	10		19		19
			<u>255</u>		<u>321</u>
CURRENT ASSETS					
Debtors: amounts falling due within one year	11	155,157		139,243	
Cash at bank and in hand		3,840		5,431	
		<u>158,997</u>		<u>144,674</u>	
CREDITORS: amounts falling due within one year	12	<u>(152,485)</u>		<u>(140,293)</u>	
NET CURRENT ASSETS			<u>6,512</u>		<u>4,381</u>
NET ASSETS			<u><u>6,767</u></u>		<u><u>4,702</u></u>
CAPITAL AND RESERVES					
Called up share capital	13		441		441
Share premium account	14		10,759		10,759
Profit and loss account	14		(4,433)		(6,498)
SHAREHOLDERS' FUNDS	14		<u><u>6,767</u></u>		<u><u>4,702</u></u>

The financial statements were approved by the board of directors and authorised for issue on 14 September 2020



A Howell
Director

The notes on pages 13 to 25 form part of these financial statements.

KBC Process Technology Limited

Company number: 01807381

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 April 2019	441	10,759	(6,498)	4,702
Profit and total comprehensive income for the year	-	-	2,065	2,065
At 31 March 2020	441	10,759	(4,433)	6,767
At 1 April 2018	441	10,759	(7,166)	4,034
Profit and total comprehensive income for the year	-	-	668	668
At 31 March 2019	441	10,759	(6,498)	4,702

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. ACCOUNTING POLICIES

Basis of preparation

The company is a private company limited by shares and is incorporated in England. Its registered office address is 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ.

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 financial statements therefore present information about the company only and not about the group.

The financial statements have adopted the following disclosure exemptions as the company is a qualifying entity:

- 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 21).

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The company is currently in a net current assets and net assets position. The KBC group has sufficient funding facilities available from the ultimate controlling party as required. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

While there remains significant uncertainty as to the future impact of the COVID-19 pandemic, the Company will continue to conduct ongoing risk assessments of the potential impact of the pandemic on its business operations and liquidity position.

Intangible fixed assets

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

Amortisation is provided on all intangible 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:

Website costs	three years
---------------	-------------

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,

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

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

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.

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.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

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 year. 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 year 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.

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.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

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.

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.

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.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2020

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. These estimates are based on management's best knowledge of the amount, events or actions and actual results may ultimately differ from those estimates.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below.

Key sources of estimation uncertainty

a. Amounts recoverable on contracts

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

These total 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 year in which they are identified. Included in amounts recoverable on contracts are profits on fixed price service contracts 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. The company have seen the landscape changing in recent years with KBC working with customers to offer a contract price which is dependent on the level of success experienced by the customer. There is uncertainty in estimating the variable consideration of these types of contracts and we use all information available, including past experience to ensure we determine an accurate contract price.

In estimating amounts recoverable on contracts based on expected contract revenue and costs, historical performance is 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.

Judgements in applying accounting policy

There have been no significant judgements in applying accounting policy in the year.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2020

3. 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:

	2020 £000	2019 £000
United Kingdom	12,791	15,138
Rest of Europe	8,548	8,218
Rest of the World, outside of Europe	15,490	13,537
	36,829	36,893

An analysis of turnover analysed by category is as follows:

Consulting	£000	£000
Fixed price service contracts	8,318	8,921
Time and material contracts	389	867
	8,707	9,788
Technology		
Software licences	4,810	3,763
Software maintenance	5,963	5,547
Royalties	2,589	2,469
Service consulting	901	661
	14,263	12,440
Total revenue from third parties	22,970	22,228
Total revenue from related parties (note 20)	13,859	14,665
Total revenue	36,829	36,893

4. OPERATING PROFIT

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

	Notes	2020 £000	2019 £000
Auditor's remuneration - auditing of financial statements		49	49
Amortisation of intangible fixed assets	8	47	46
Depreciation of tangible fixed assets	9	187	424
Employee benefits expense			
- Post employment benefits: defined contribution plans		564	541
- Other employee benefits		498	523
Total employee benefits expense		1,062	1,064
Foreign exchange gain		(1,879)	(899)
Operating lease rentals			
- land and buildings		575	858
- other		47	42
- sublease rentals received		-	(284)

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2020

5. STAFF COSTS

a. Staff costs (including directors)

	2020 £000	2019 £000
Wages and salaries	7,573	7,121
Social security costs	862	828
Defined contribution pension costs	564	541
	8,999	8,490

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

	No.	No.
Management	4	2
Technical	64	66
Administrative	24	23
	92	91

b. Directors' emoluments:

	2020 £000	2019 £000
Emoluments	763	438
Company contributions to pension scheme	57	38
	820	476
Emoluments of highest paid director	416	154
Company contributions to pension scheme for highest paid director	25	12
	441	166
	No.	No.
Directors who are members of defined contribution pension schemes	3	3

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.

6. INTEREST INCOME AND EXPENSES

	2020 £000	2019 £000
Interest receivable and similar income		
Intercompany interest receivable	219	333
Bank interest receivable	46	41
	265	374
Interest payable and similar expenses		
Intercompany interest payable	599	774
Other finance costs	3	33
	602	807

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2020

7. TAX ON PROFIT

a. Tax on profit

The tax charge is made up as follows:

Current tax expense

Income tax of UK and overseas operations

Withholding taxes payable

Adjustments in respect of prior years

Deferred tax expense

Deferred tax (credit)/expense for current year

Tax on profit

Total tax (benefit)/expense

	2020	2019
Notes	£000	£000
	83	-
	52	81
	(78)	-
	<u>57</u>	<u>81</u>
16	(674)	39
	<u>(674)</u>	<u>39</u>
	<u>(617)</u>	<u>120</u>

b. Reconciliation of current tax expense

The tax assessed on the profit for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020	2019
	£000	£000
Profit before tax	<u>1,447</u>	<u>788</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	275	150
Expenses not deductible for tax purposes	3	1
Tax losses utilised	(406)	(168)
Recognition of tax losses	(526)	-
Research and development expenditure	(84)	(21)
Foreign tax due in respect of permanent establishments	83	-
Irrecoverable withholding taxes	52	81
Adjustment for over-provision in prior years	(78)	-
Other	64	77
Total tax (benefit)/expense	<u>7a. (617)</u>	<u>120</u>

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

On 16 March 2016 the chancellor announced a further reduction to 17% in the statutory rate of UK corporation tax from 1 April 2020, which was substantively enacted on 15 September 2016. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. This was substantively enacted on 17 March 2020. The deferred tax assets at 31 March 2020 have been calculated based on these rates.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2020

8. INTANGIBLE ASSETS

	Total £000
Website costs	
Cost:	
at 1 April 2019	140
Additions	-
At 31 March 2020	140
Amortisation:	
at 1 April 2019	62
Amortisation charge for the year	47
At 31 March 2020	109
Net book value at 31 March 2020	31
Net book value at 31 March 2019	78

9. TANGIBLE ASSETS

	Leasehold improvements £000	Fixtures, fittings & office equipment £000	Computer hardware & software £000	Total £000
Cost:				
at 1 April 2019	18	233	2,199	2,450
Additions	-	4	163	167
Foreign exchange rate movements	(3)	10	5	12
At 31 March 2020	15	247	2,367	2,629
Depreciation:				
at 1 April 2019	13	206	2,007	2,226
Depreciation charge for the year	1	21	165	187
Foreign exchange rate movements	(4)	10	5	11
At 31 March 2020	10	237	2,177	2,424
Net book value at 31 March 2020	5	10	190	205
Net book value at 31 March 2019	5	27	192	224

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2020

10. INVESTMENTS

			2020 £000	2019 £000
Cost and net book value at 31 March			19	19
The company holds equity, in the form of ordinary shares, in the following companies:		Proportion of ownership interest		
	Place of incorporation	Place of operation	2020	2019
KBC Process Technology (Middle East) Limited ¹	England	UAE	100%	100%
KBC Advanced Technologies Sdn Bhd ²	Malaysia	Malaysia	10%	10%
KBC Advanced Technologies (Thailand) Limited ³	Thailand	Thailand	1%	1%

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

Registered Offices:

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

² Suite 8.01, Level 8, Menara Binjai No.2, Jalan Binjai, 50450 Kuala Lumpur, Malaysia

³ Athenee Tower, 23rd Floor, 63 Wireless Road, Lumpini, Pathumwan District, Bangkok, Thailand

11. DEBTORS: amounts falling due within one year

	2020 £000	2019 £000
Trade debtors	3,301	3,627
Prepayments and accrued income	1,057	1,012
Amounts owed by group undertakings (note 20)	135,297	120,471
Amounts recoverable on contracts	13,163	11,832
Overseas tax receivable	1,169	1,805
Deferred tax assets (note 16)	1,170	496
	155,157	139,243

12. CREDITORS: amounts falling due within one year

	2019 £000	2019 £000
Payments on account on contracts	3,886	2,612
Trade creditors	451	702
Amounts owed to group undertakings (note 20)	146,829	134,755
Accruals	1,319	1,298
Corporation tax and overseas tax payable	-	926
	152,485	140,293

The company is subject to a cross guarantee banking arrangement with its immediate parent company, KBC Advanced Technologies Limited, and certain other group companies. Please refer to Note 18 for details of performance guarantees.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2020

13. SHARE CAPITAL

	2020 £000	2019 £000
Issued and fully paid:		
440,898 ordinary shares of £1 each	441	441

14. RESERVES

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

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

15. LEASING COMMITMENTS

The company leases property and office equipment and its future minimum operating lease payments are as follows:

	2020 £000	2019 £000
Within one year	546	566
Between one and five years	798	1,340
After five years	-	-
	1,344	1,906

16. DEFERRED TAXATION

Recognised deferred tax assets:	Tax losses	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
At 1 April 2018	-	551	(16)	535
Profit and loss account debit	-	(39)	-	(39)
At 31 March 2019	-	512	(16)	496
Profit and loss account credit	526	148	-	674
At 31 March 2020	526	660	(16)	1,170

A deferred tax asset in respect of carry forward trading losses has been recognised of £526,000 (2019: £932,000 unrecognised) as it is now probable that future tax profits will be available against which the company can utilise the benefits. Of the recognised and unrecognised deferred tax assets, £526,000 (2019: £932,000) can be carried forward indefinitely.

17. CAPITAL COMMITMENTS

At 31 March 2020 and 2019 the company had no capital commitments.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2020

18. CONTINGENT LIABILITIES

Performance guarantees

Bank-backed performance guarantees given to third parties as at 31 March 2020 are detailed below:

	Advance payment & performance guarantees £000
At 31 March 2020	<u>214</u>
At 31 March 2019	<u>1,385</u>

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

19. EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events between 31 March 2020 and the date of authorisation of the financial statements which would require adjustments of the financial statements or disclosure.

The COVID-19 pandemic continues to evolve and the future potential impact of the pandemic on the Company is not yet known but may be significant. While the Company cannot currently quantify what the effects might be, it continues to monitor the pandemic and its impact, to ensure appropriate actions can be taken to mitigate risks to the Company.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2020

20. RELATED PARTY TRANSACTIONS

	Turnover £000	Operating expenses £000	Interest receivable £000	Interest payable £000	Debtors £000	Creditors £000
Year ending 31 March 2020						
Entities with control over the company	12,297	11,560	-	-	96,913	88,366
Entities over which the company has control	190	437	17	-	9,360	4,122
Other group undertakings	1,372	8,023	202	599	29,024	54,341
	13,859	20,020	219	599	135,297	146,829
Year ending 31 March 2019						
Entities with control over the company	13,731	10,301	-	-	85,333	77,776
Entities over which the company has control	-	169	17	-	8,877	3,898
Other group undertakings	934	8,138	316	774	26,261	53,081
	14,665	18,608	333	774	120,471	134,755

Amounts with group undertakings are not considered to be impaired and are recoverable within six months. There has been no history of default by any group undertaking.

Interest is charged on selected balances with group undertakings at 1.605%.

21. 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 parent and 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 financial statements of this company are available to the public and may be obtained at their registered office, 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 financial statements of this company are available to the public and may be obtained from the following website www.yokogawa.com.