

Company number 01807381

KBC Process Technology Limited

Annual Report and Financial Statements

For the year ended 31 March 2018

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KBC Process Technology Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2018

Contents

Page

1	Strategic report
3	Report of the directors
5	Independent auditor's report
7	Profit and loss account
8	Balance sheet
9	Statement of changes in equity
10	Notes to the financial statements

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 year ended 31 March 2018

Review of the business and future developments

2017/18 was a period of continuing progress with a number of key opportunities coming from being part of a much larger group given the acquisition made by Yokogawa Electric Corporation in April 2016 of the entire KBC group.

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 year were £26.9m which is comparable to the prior period on an annualised basis (£33.6m for the 15 month period to 31 March 2017). The consequent workload backlog at 31 March 2018 was £24.6m compared to £32.1m at 31 March 2017.

Revenue for the year is £44.2m (15 months to 31 March 2017: £57.6m). On an annualised basis revenue fell by 4%. The operating loss for the year is £0.4m (15 months to 31 March 2017: profit £2.6m).

The cash balance of £5.6m has decreased from 31 March 2017 by £0.5m.

Key performance indicators (KPIs)

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

	12 months to	15 months to
Revenue from Consulting (£m)	19.0	24.5
Revenue from Technology (£m)	13.0	13.3
Pipeline of contracted work (£m)	24.6	32.1
Operating margin (%)	0.0	4.6
(Loss)/Profit before tax (£m)	0.9	1.6

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.

Mitigation: Our range of services has expanded over the years and continues to evolve so that we are able to offer appropriate solutions to our clients in varying circumstances. Contingency plans are prepared in case the market for the Group's services deteriorates.

KBC Process Technology Limited

STRATEGIC REPORT continued
For the year ended 31 March 2018

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.

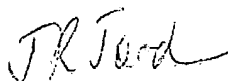
c) Market risks

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 strategy includes recruitment of personnel with upstream experience. 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.

The strategic report was approved by the board on 18 December 2018

By order of the board



J R Jordan
Company Secretary

KBC Process Technology Limited

REPORT OF THE DIRECTORS

The directors present their annual report and audited financial statements for the year ended 31 March 2018.

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 are:

A Rudman

J R Jordan

M Anderson

The directors do not propose the payment of a dividend (2017: £nil).

Qualifying third party indemnity provisions

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

Post balance sheet events

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

Research and development

During the year, the Company began to develop the next major software offering of Petro-SIM which is the leading process stimulation and optimisation platform for driving excellence in facility performance and organisational productivity. Release of Petro-SIM version 7 is expected during the next financial year.

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 form part of this report by cross reference.

KBC Process Technology Limited

REPORT OF THE DIRECTORS continued

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.

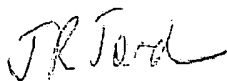
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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
18 December 2018

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:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss 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 of KBC Process Technology Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

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 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

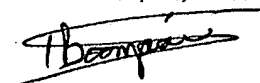
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 18 December 2018*

KBC Process Technology Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2018

	Notes	12 months to 31 Mar 2018 £000	15 months to 31 Mar 2017 £000
TURNOVER	3	44,184	57,641
Staff costs	5	(8,716)	(17,337)
Depreciation		(585)	(681)
Other operating expenses		(35,316)	(36,992)
OPERATING (LOSS)/PROFIT	4	(433)	2,631
Interest receivable and similar income	6	261	150
Interest payable and similar expenses	6	(752)	(1,134)
(LOSS)/PROFIT BEFORE TAX		(924)	1,647
Tax on (loss)/profit	7	(293)	(315)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR/PERIOD		(1,217)	1,332

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 23 form part of these financial statements.

KBC Process Technology Limited

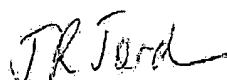
Company number: 01807381

BALANCE SHEET

as at 31 March 2018

		2018		2017	
	Notes	£000	£000	£000	£000
FIXED ASSETS					
Intangible assets	8		124		-
Tangible assets	9		615		1,095
Investments	10		3,486		3,486
			<u>4,225</u>		<u>4,581</u>
CURRENT ASSETS					
Debtors: amounts falling due within one year	11	124,607		103,450	
Deferred tax assets	18	535		424	
Cash at bank and in hand		5,597		6,107	
		<u>130,739</u>		<u>109,981</u>	
CREDITORS: amounts falling due within one year	12	<u>(127,463)</u>		<u>(105,792)</u>	
NET CURRENT ASSETS			<u>3,276</u>		<u>4,189</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>7,501</u>		<u>8,770</u>
Provisions for liabilities and charges	13		-		(52)
NET ASSETS			<u><u>7,501</u></u>		<u><u>8,718</u></u>
CAPITAL AND RESERVES					
Called up share capital	14		441		441
Share premium account	15		10,759		10,759
Profit and loss account	15		(3,699)		(2,482)
SHAREHOLDERS' FUNDS	15		<u><u>7,501</u></u>		<u><u>8,718</u></u>

The financial statements were approved by the board of directors and authorised for issue on 18 December 2018



J R Jordan
Director

The notes on pages 10 to 23 form part of these financial statements.

KBC Process Technology Limited

Company number: 01807381

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Note	Share capital £000	Share premium account £000	Capital contribution reserve £000	Profit and loss account £000	Total £000
At 1 April 2017		441	10,759	-	(2,482)	8,718
Total comprehensive loss for the year		-	-	-	(1,217)	(1,217)
At 31 March 2018		441	10,759	-	(3,699)	7,501
At 1 January 2016		441	10,759	1,484	(6,238)	6,446
Total comprehensive income for the period		-	-	-	1,332	1,332
Share-based payments	16	-	-	940	-	940
Capital contribution reserve transfer ¹		-	-	(2,424)	2,424	-
At 31 March 2017		441	10,759	-	(2,482)	8,718

¹ 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 23 form part of these financial statements.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

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 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 22).

The financial statements have been prepared for the year ended 31 March 2018. Until 2015, the financial statements had been prepared annually ending 31 December. The change in the reporting period end to 31 March 2017 was to make the financial statements co-terminus with the ultimate parent undertaking, Yokogawa Electric Corporation. Therefore the comparative amounts presented in these financial statements are not entirely comparable.

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 in a net current assets and net assets position and is expecting to make a profit in the next financial year. 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.

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
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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 2018

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.

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.

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.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2018

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 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

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 2018

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.

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.

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.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2018

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 period. 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 Group of recognised revenue and estimated costs in the period 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 Group's contracts, developing total revenue and cost at completion estimates requires the use of significant judgement.

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 outcome 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 2018

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:

	12 months to 31 Mar 2018 £000	15 months to 31 Mar 2017 £000
United Kingdom	13,330	20,553
Rest of Europe	7,254	9,297
Rest of the World, outside of Europe	23,600	27,791
	44,184	57,641

An analysis of turnover analysed by category is as follows:

	£000	£000
Consulting		
Fixed price service contracts	18,233	22,088
Time and material contracts	801	2,372
	19,034	24,460
Technology		
Software licences	4,658	4,349
Software maintenance	5,700	5,721
Royalties	2,342	2,209
Service consulting	275	1,006
	12,975	13,285
Total external revenue	32,009	37,745
Total internal revenue	12,175	19,896
Total revenue	44,184	57,641

4. OPERATING (LOSS)/PROFIT

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

	12 months to 31 Mar 2018 £000	15 months to 31 Mar 2017 £000
Auditor's remuneration - audit services	49	47
Amortisation of intangible fixed assets	16	-
Depreciation of tangible fixed assets	585	681
Employee benefits expense		
- Post employment benefits: defined contribution plans	588	951
- Share-based payments (see note 16)	-	940
- Other employee benefits	620	1,086
Total employee benefits expense	1,208	2,977
Provision for doubtful trade debtors	1,103	-
Provision for doubtful amounts recoverable on contracts	1,592	516
Costs of reorganisation (see note 13)	168	706
Costs of acquisition	-	2,346
Foreign exchange loss/(gain)	2,016	(2,474)
Operating lease rentals	1,072	1,406
- land and buildings		
- other	59	71
- sublease rentals received	(671)	(807)

Costs of acquisition relate to the KBC group being acquired by Yokogawa Electric Corporation during the prior 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 year ended 31 March 2018

5. EMPLOYEES	12 months to	15 months to
a. Staff costs (including directors)	31 Mar 2018	31 Mar 2017
	£000	£000
Wages and salaries	7,264	13,998
Social security costs	864	1,448
Share-based payments (see note 16)	-	940
Defined contribution pension costs	588	951
	<u>8,716</u>	<u>17,337</u>
The average monthly number of employees during the period was as follows:	No.	No.
Management	2	2
Technical	68	76
Administrative	25	44
	<u>95</u>	<u>122</u>
b. Directors' emoluments:	12 months to	15 months to
	31 Mar 2018	31 Mar 2017
	£000	£000
Emoluments	487	903
Compensation for loss of office	-	78
Share-based payments	-	143
Company contributions to pension scheme	36	61
	<u>523</u>	<u>1,185</u>
No directors (2017: four directors) exercised share options in the immediate parent company in the period.		
Gain on share options exercised in the period	-	596
Emoluments of highest paid director	183	256
Compensation for loss of office for highest paid director	-	78
Share-based payments for highest paid director	-	33
Company contributions to pension scheme for highest paid director	12	17
	<u>195</u>	<u>384</u>
Gain on share options exercised in the period for highest paid director	-	104
	No.	No.
Directors who are members of defined contribution pension schemes	3	4
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	12 months to	15 months to
	31 Mar 2018	31 Mar 2017
	£000	£000
Interest receivable and similar income		
Intercompany interest receivable	241	149
Bank interest receivable	20	1
	<u>261</u>	<u>150</u>

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2018

6. INTEREST INCOME AND EXPENSES (continued)	12 months to 31 Mar 2018 £000	15 months to 31 Mar 2017 £000
Interest payable and similar expenses		
Intercompany interest payable	743	1,106
Other finance costs	9	28
	<u>752</u>	<u>1,134</u>

7. TAXATION ON LOSS/PROFIT	12 months to 31 Mar 2018 £000	15 months to 31 Mar 2017 £000
a. Tax on loss/profit		
The tax charge is made up as follows:		
Current tax expense		
Income tax of UK and overseas operations	302	421
Withholding taxes payable	102	20
Adjustments in respect of prior periods	-	(21)
	<u>404</u>	<u>420</u>
Deferred tax expense		
Deferred tax credit for current period	(111)	(105)
Tax on profit	(111)	(105)
Total tax expense	<u>293</u>	<u>315</u>

b. Reconciliation of total tax expense

The tax assessed on the loss/profit for the period is higher (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are reconciled below:

	12 months to 31 Mar 2018 £000	15 months to 31 Mar 2017 £000
(Loss)/profit before tax	(924)	1,647
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	(176)	329
Expenses not deductible for tax purposes	4	4
Tax losses arising / (utilised)	122	(75)
Research and development (expenditure) / credit	(61)	52
Foreign tax due in respect of permanent establishments	302	421
Foreign tax costs deductible for tax purposes	(19)	(4)
Irrecoverable withholding taxes	102	20
Change in statutory rate	-	12
Statutory deduction in relation to share options	-	(527)
Adjustment for over-provision in prior periods	-	(21)
Other	19	104
Total tax expense	<u>7a. 293</u>	<u>315</u>

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 year ended 31 March 2018

8. INTANGIBLE FIXED ASSETS

	Total £000
Website costs	
Cost:	
at 1 April 2017	-
Additions	140
At 31 March 2018	140
Amortisation:	
at 1 April 2017	-
Amortisation charge for the year	16
At 31 March 2018	16
Net book value at 31 March 2018	124
Net book value at 31 March 2017	-

9. TANGIBLE FIXED ASSETS

	Leasehold improvements £000	Fixtures, fittings & office equipment £000	Computer hardware & software £000	Total £000
Cost:				
at 1 April 2017	1,389	232	2,121	3,742
Additions	-	-	106	106
Foreign exchange rate movements	(1)	1	3	3
At 31 March 2018	1,388	233	2,230	3,851
Depreciation:				
at 1 April 2017	1,277	172	1,198	2,647
Depreciation charge for the year	88	21	476	585
Foreign exchange rate movements	-	1	3	4
At 31 March 2018	1,365	194	1,677	3,236
Net book value at 31 March 2018	23	39	553	615
Net book value at 31 March 2017	112	60	923	1,095

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2018

10. INVESTMENTS

			£000	
Cost and net book value at 31 March 2018 and 2017			3,486	
The company holds equity in the following companies:			Proportion of ownership interest	
	Place of incorporation	Place of operation	2018	2017
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

	2018	2017
	£000	£000
Trade debtors	5,988	6,949
Prepayments and accrued income	784	1,326
Amounts owed by group undertakings	104,704	81,880
Amounts recoverable on contracts	11,484	12,532
Overseas tax receivable	1,647	763
	124,607	103,450

12. CREDITORS: amounts falling due within one year

	2018	2017
	£000	£000
Payments on account on contracts	2,506	3,985
Trade creditors	607	804
Amounts owed to group undertakings	122,237	98,140
Accruals	1,299	1,890
Corporation tax and overseas tax payable	762	328
Provisions (note 13)	52	645
	127,463	105,792

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 20 for details of performance guarantees.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2018

13. PROVISIONS

	2018 £000	2017 £000
<i>Onerous lease provision</i>		
At 1 April 2017 and 1 January 2016	70	54
Charge/(credit) to income statement:		
Unwinding of discount	8	12
Provided during the period	-	50
Utilisation of provision	(26)	(46)
At 31 March	52	70
Due within one year or less (note 12)	52	18
Due after more than one year	-	52
	52	70
<i>Reorganisation provision</i>		
At 1 April 2017 and 1 January 2016	627	-
Charge to the income statement	168	706
Utilisation of provision	(795)	(79)
At 31 March	-	627

Reorganisation costs of £168,000 (15 months to 31 March 2017: £706,000) comprise the costs of a redundancy programme affecting the operational function of the business. The costs were charged to operating profit and included in other operating expenses in the profit and loss account.

The reorganisation was completed during the year.

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.

14. SHARE CAPITAL

	2018 £000	2017 £000
Issued and fully paid:		
440,898 ordinary shares of £1 each	441	441

15. 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 16.

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.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2018

16. SHARE-BASED PAYMENTS

The company had three share option schemes that gave rise to share-based charges in prior periods. 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").

All share options either lapsed or were exercised during the period to 31 March 2017. There is no expense recognised for equity-settled share-based payments in respect of employee services received during the year ended 31 March 2018 (15 months to 31 March 2017: £940,000). There are no share options outstanding at either period end.

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 six months 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.

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.

At 31 March 2018 and 2017 there were no share options outstanding.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2018

17. LEASING COMMITMENTS

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

	2018	2017
	£000	£000
Within one year	598	108
Between one and five years	180	1,589
After five years	-	834
	<u>778</u>	<u>2,531</u>

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

	2018	2017
	£000	£000
Within one year	284	673
Between one and five years	-	283
	<u>284</u>	<u>956</u>

18. DEFERRED TAXATION

	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
Recognised deferred tax assets:			
At 1 January 2016	335	(16)	319
Profit and loss account credit	105	-	105
At 1 April 2017	440	(16)	424
Profit and loss account credit	111	-	111
At 31 March 2018	<u>551</u>	<u>(16)</u>	<u>535</u>

No deferred tax asset in respect of carry forward trading losses has been recognised (2017: £nil).

	2018	2017
	£000	£000
Unrecognised deferred tax assets		
Unrelieved tax losses carried forward against profits of future years	<u>1,101</u>	<u>997</u>

Of the unused tax losses, £1,101,000 (2017: £997,000) 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.

19. CAPITAL COMMITMENTS

At 31 March 2018 and 2017 the company had no capital commitments.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2018

20. CONTINGENT LIABILITIES

Performance guarantees

Bank-backed performance guarantees given to third parties as at 31 March 2018 are detailed below:

	Advance payment & performance guarantees £000	Cash Cover £000
At 31 March 2018	1,524	5
At 31 March 2017	1,696	-

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.

21. 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.

22. 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.