

Company number 01807381

KBC Process Technology Limited

Annual Report and Financial Statements

For the year ended 31 March 2022



KBC Process Technology Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2022

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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

RSM UK Audit LLP
Statutory Auditor
Third Floor
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Cross Lanes
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Surrey, GU1 1UN

KBC Process Technology Limited

STRATEGIC REPORT

For the year ended 31 March 2022

Review of the business and future developments

The mission and vision of KBC Process Technology Limited ("KBC") 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 and advanced digital simulation of client process, in-line with our clients' digital roadmaps. We aim to continue working closely with the wider group entities headed by Yokogawa Electric Corporation ("Yokogawa") in order to achieve this joint vision.

Contract awards for the year were £22.0m which is an increase of 61% from the prior year (2021: £13.7m). The consequent workload backlog at 31 March 2022 was £26.7m compared to £24.2m at 31 March 2021.

Revenue for the year is £37.7m, which is a 2% increase from the prior year (2021: £37.0m). The operating profit for the year is £1.1m (2021: operating loss of £0.8m) driven by a foreign exchange gain in the year and stronger trading performance as COVID restrictions begin to ease.

The cash balance of £5.8m has remained in line with the balance at 31 March 2021, largely due to timing in converting amounts recoverable on contracts to cash, driven by contractual terms. Amounts recoverable on contracts has increased by only £0.4m from the prior year.

The Company continues to monitor the COVID-19 pandemic and its impact to ensure appropriate actions are 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:

	2022	2021
Revenue from Consulting (£m)	7.9	8.0
Revenue from Technology (£m)	15.0	12.8
Contract awards	22.0	13.7
Pipeline of contracted work (£m)	26.7	24.2
Operating profit / (loss)	1.1	(0.8)
Operating profit / (loss) (%)	2.9	(2.3)
Profit / (loss) before tax (£m)	0.5	(1.3)

Other key performance indicators

Headcount	89	85
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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 the Company. However the Company'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 the Company'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.

KBC Process Technology Limited

STRATEGIC REPORT continued

For the year ended 31 March 2022

Principal risks and uncertainties continued

a) Economic and social continued

Coronavirus

The COVID-19 pandemic has caused significant business interruption and a downturn in the economy. The directors have assessed the impact of COVID-19 on the Company in relation to the following risks and mitigating actions:

Staff welfare

During the height of the pandemic in 2020/21, the Company took all necessary actions to safeguard the welfare of all employees and established a crisis response team to prioritise employee wellbeing in the first instance. The Company 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 was successful in supporting a 100% work from home capability during the pandemic. As COVID-19 restrictions are eased throughout the world, in line with local government guidance, the Company has cautiously begun to relax certain self imposed restrictions whilst continuing to prioritise the safety of our employees.

Financial impact

In the current financial year, the Company has continued to see a reduction in consulting revenue (compared to pre-pandemic levels) caused by the effect COVID-19 is having on its client's operations and the inability to travel to its clients to execute contractual milestones embedded in our client contracts. The Company has actively taken steps to mitigate costs to partly offset any reduction in revenues, and to preserve cash for its working capital. This included actions such as utilising government labour stimulus programmes where appropriate, reducing office space, cancellation of marketing events and reducing the use of external labour.

The Company has experienced an upswing in commercial activity throughout the financial year as local COVID-19 related travel restrictions were lifted in key operating locations and as refinery owners looked to reconfigure plant assets and optimise assets based on fundamental changes in fuel product type demands between gasoline, marine fuel, jet fuel, diesel, etc. The Company has also seen an increased demand in due diligence advisory services as investors look to divest, merge, acquire, and swap assets and the associated bank requirements for independent review. As a result we have seen a number of tender opportunities arising on this basis contributing to a 61% increase in contract awards and a 10% increase in pipeline of contracted work. This upswing may be dependent, amongst other things, on the continuing of the lifting of travel restrictions, but the Company has established a remote working delivery model with a number of our clients and, where possible, utilise resources which are located in-country in order to mitigate the impact of any remaining restrictions and keep execution costs at optimal levels.

b) Political and environmental

Some of the Company'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 the Company'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 2022

Principal risks and uncertainties continued

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

Given the nature of the Company's business, there are minimal additional tariffs and duties levied that affect us. However, it is acknowledged that 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

The Company's business relies on the use of subject matter experts across the world. However, the Company does not currently rely on talent transfers between the UK and EU and therefore expect the area of human capital to be of low impact. As the business grows, we will consider the optimum location to recruit Eurozone based staff.

Ukraine / Russia conflict

The Company has been impacted by the Ukraine / Russia conflict and the sanctions that have been imposed. The directors have assessed the impact of the conflict on the Company as follows:

Russia Sanctions

The Company has taken all necessary actions to ensure compliance with the sanctions imposed on Russian entities, banks and individuals. The financial impact on the Company is minimal with less than 2% of total revenue associated with Russian clients.

c) Market risks

Historically, the Company's revenues are highly concentrated in the downstream refining sector. We do have ambitions to mitigate this concentration into broader energy segments (Upstream, Midstream, Power and LNG) and Chemicals. 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 the Company, that their services are discretionary.

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 the Company'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. 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, euros or pounds 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 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 new client and monitors 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 risk 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 parent company, KBC Advanced Technologies Limited.

KBC Process Technology Limited

STRATEGIC REPORT continued

For the year ended 31 March 2022

Section 172(1) statement

This statement requires the 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 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 our people but also stakeholders who have an interest in our business.

Employees

Employees are critical to the operation and success of the Company. For the business to succeed, it needs to manage employees' performance and development, bringing through talent whilst ensuring an efficient operation. Foremost to this is ensuring the safety of employees as they travel globally to fulfil the commitments of their roles. There are numerous ways in which the Company engages with its 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.

Clients and customers

The Company understands that customers are central to the success of the business and the Directors aim to ensure the 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 customers' requirements and requests. During the year, key contracts have been awarded with the Directors being involved from initiation to final sign off. We have seen the landscape change in recent years, with the Company working with customers to offer a contract price which is dependent on the level of success experienced by the customer. This ensures that KBC works with its 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 holds multi-year contracts with key suppliers. As is 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).

Approved for issue by the Board of Directors



A Howell
Director

Date: 30 June 2022

KBC Process Technology Limited

REPORT OF THE DIRECTORS

The Directors present their annual report and audited financial statements for the year ended 31 March 2022.

Principal activity

The Company's principal activity is to combine organisational and technological consulting with proprietary software expertise to help clients solve industry challenges and increase their profitability within the hydrocarbon and energy industries.

Directors

The Directors of the Company during the year and up to the date of signing are:

A Howell

M Hudson

S Scott

The Directors do not propose the payment of a dividend (2021: £nil).

Qualifying third party indemnity provisions

The Company has arranged qualifying third party indemnity for all of its Directors.

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. Both the Company and the consolidated KBC Group are currently in a net current assets and net assets position and profitable in the current year. While there remains some uncertainty as to the future impact that the COVID-19 pandemic and the Russia/Ukraine conflict has on the global economy and the Oil and Gas industry in particular, the Company, its parent entity, and ultimate parent entity continue to conduct ongoing risk assessments of the potential impact on their 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.

Strategic report

The Company has chosen, in accordance with Companies Act 2006, s.414C(11), to set out in the Company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch.7 to be contained in the Directors' report. It has done so in respect of financial risk management, future developments and engagement with suppliers, customers and other relationships.

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

Information about the Company's Streamlined Energy Carbon Reporting can be found in the consolidated accounts of KBC Advanced Technologies Limited. Data reported there includes data for the Company. In accordance with the Companies Act 2006 and SI 2008/410 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' Sch.7.20A(2)(a), the Company has chosen not to present details of its Emissions and Energy consumption separately in these accounts.

Directors' responsibilities statement

The Directors are responsible for preparing the strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with 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 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.

RSM UK Audit 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

Date: 30 June 2022

KBC Process Technology Limited

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

Opinion

We have audited the financial statements of KBC Process Technology Limited (the 'company') for the year ended 31 March 2022 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

KBC Process Technology Limited

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

KBC Process Technology Limited

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

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

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

The audit engagement team identified the risk of management override of controls and cut-off on contract revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and testing the revenue and profit recognised in the period, on a sample of contracts, by reference to supporting agreements, the stage of completion at the period end and the expected profit of the project. In assessing management's determination of the stage of completion and profitability, we reviewed costs incurred, forecasts of costs to complete and documentation detailing total revenue of projects.

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

Use of our report

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

RSM UK Audit LLP

*Christopher Hurren FCA (Senior Statutory Auditor)
for and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor, One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN
Date 4 July 2022*

KBC Process Technology Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2022

	Notes	2022 £000	2021 £000
TURNOVER	3	37,742	37,040
Other operating income		-	131
Staff costs	5	(9,813)	(7,948)
Depreciation		(81)	(103)
Other operating expenses		(26,760)	(29,956)
OPERATING PROFIT / (LOSS)	4	1,088	(836)
Interest receivable and similar income	6	226	229
Interest payable and similar expenses	6	(768)	(659)
PROFIT / (LOSS) BEFORE TAX		546	(1,266)
Tax on profit / (loss)	7	171	(47)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		717	(1,313)

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 23 form part of these financial statements.

KBC Process Technology Limited

Company number: 01807381

BALANCE SHEET

as at 31 March 2022

	Notes	2022		2021	
		£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	8		124		120
Investments	9		19		19
			<u>143</u>		<u>139</u>
CURRENT ASSETS					
Debtors: amounts falling due within one year	10	189,337		169,485	
Cash at bank and in hand		5,765		5,772	
		<u>195,102</u>		<u>175,257</u>	
CREDITORS: amounts falling due within one year	11	<u>(189,074)</u>		<u>(169,942)</u>	
NET CURRENT ASSETS			6,028		5,315
NET ASSETS			<u>6,171</u>		<u>5,454</u>
CAPITAL AND RESERVES					
Called up share capital	12		441		441
Share premium account	13		10,759		10,759
Profit and loss account	13		(5,029)		(5,746)
SHAREHOLDERS' FUNDS	13		<u>6,171</u>		<u>5,454</u>

The financial statements on pages 10 to 23 were approved by the Board of Directors and authorised for issue on 30 June 2022



A Howell
Director

The notes on pages 13 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 2022

	Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 April 2020	441	10,759	(4,433)	6,767
Loss and total comprehensive loss for the year	-	-	(1,313)	(1,313)
At 31 March 2021	441	10,759	(5,746)	5,454
At 1 April 2021	441	10,759	(5,746)	5,454
Profit and total comprehensive profit for the year	-	-	717	717
At 31 March 2022	441	10,759	(5,029)	6,171

The notes on pages 13 to 23 form part of these financial statements.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. ACCOUNTING POLICIES

General information

KBC Process Technology Limited ("the Company") is a private company limited by shares and is registered and incorporated in England.

The address of the Company's registered office and principal place of business is 42-50 Hersham Road, Walton on Thames, Surrey, KT12 1RZ.

The Company's principal activities are detailed in the Directors' Report.

Basis of preparation

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

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

The Company has taken advantage of the exemption from disclosing the following information, as permitted by the reduced disclosure regime within FRS 102:

- Section 7 'Statement of Cash Flows' - Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' - Interest income/expense and net gains/losses for financial instruments not measured at fair value, amount of any impairment loss, risks arising from financial instruments, and transferred financial asset not derecognised, loan defaults or breaches, and descriptions of hedging
- Section 26 'Share-based Payment' - Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements
- Section 33 'Related Party Disclosures' - Compensation for key management personnel

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 of the Company are consolidated in the financial statements of KBC Advanced Technologies Limited. The consolidated financial statements of KBC Advanced Technologies Limited are available from its registered office, 42-50 Hersham Road, Walton on Thames, Surrey, KT12 1RZ.

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, including a significant cash balance. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

While there remains some uncertainty as to the future impact that the COVID-19 pandemic and the Russia/Ukraine conflict will have on the global economy and the Oil and Gas industry in particular, the Company will continue to conduct ongoing risk assessments of the potential impact of the pandemic on its business operations and liquidity position.

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.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2022

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

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

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

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

Trade and other debtors

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

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 2022

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.

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.

Amounts recoverable on contracts are included in trade and other receivables and represent 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.

Fee at risk service contracts and penalties

Revenue on fee at risk consulting service contracts which have a variable consideration related to performance, is recognised using the input method up to the contract value determined as the best estimate of expected performance of the contract and which would not result in a significant revenue reversal. Penalties on contracts are provided for at the Directors' best estimate of the expenditure required to settle the liability.

Government grants

Income from government grants is presented within other operating income. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Grants are recognised as income when the associated performance conditions are met.

The grants received in the prior financial year related to incentives received from the UK government under the Job Retention Scheme to support employment impacted by the COVID-19 pandemic. The condition of the Scheme, which is to continue payroll payments for staff furloughed, were met by the Company.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2022

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.

Financial instruments

Basic financial instruments, including trade, group 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.

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.

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 source of estimation uncertainty: 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.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2022

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

continued

Key sources of estimation uncertainty: Amounts recoverable on contracts continued

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 has 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 outcome of the project.

Judgements in applying accounting policy

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

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:

	2022 £000	2021 £000
United Kingdom	20,049	17,370
Rest of Europe	7,434	7,933
Rest of the World, outside of Europe	10,259	11,737
	37,742	37,040

An analysis of turnover analysed by category is as follows:

	£000	£000
Consulting	7,885	8,016
Technology	15,047	12,801
Total revenue from third parties	22,932	20,817
Total revenue from related parties	14,810	16,223
	37,742	37,040

4. OPERATING PROFIT / (LOSS)

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

	Notes	2022 £000	2021 £000
Auditor's remuneration - auditing of financial statements		50	48
Amortisation of intangible fixed assets		-	31
Depreciation of tangible fixed assets	8	81	103
Foreign exchange (gain) / loss		(1,029)	2,771
Operating lease rentals - land and buildings		476	503
- other		37	34
Employment grants		-	(131)

The 2021 employment grants related to incentives received from the UK government under the Job Retention Scheme to support employment impacted by the COVID-19 pandemic. The condition of the Scheme, which was to continue payroll payments for staff furloughed, has been met by the Company.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2022

5. STAFF COSTS

a. Staff costs (including Directors)	2022	2021
	£000	£000
Wages and salaries	8,219	6,539
Social security costs	970	855
Defined contribution pension costs	624	554
	9,813	7,948

The average monthly number of employees during the year was as follows:	No.	No.
Management	4	3
Technical	61	58
Administrative	24	24
	89	85

b. Directors' emoluments:	2022	2021
	£000	£000
Emoluments	979	821
Company contributions to pension scheme	63	62
Income received for services rendered to ultimate parent company	(98)	(61)
	944	822

Emoluments of highest paid Director	470	446
Company contributions to pension scheme for highest paid Director	31	31
	501	477

	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 the Company. No recharges are made. It is not possible to determine the proportion of the Directors' work that was performed for other group companies.

6. INTEREST INCOME AND EXPENSES

	2022	2021
	£000	£000
Interest receivable and similar income		
Interest receivable from group undertakings	224	222
Bank interest receivable	2	7
	226	229
Interest payable and similar expenses		
Interest payable to group undertakings	765	657
Other finance costs	3	2
	768	659

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2022

7. TAX ON PROFIT / (LOSS)

a. Tax on profit / (loss)	Notes	2022 £000	2021 £000
The tax (credit) / charge is made up as follows:			
Current tax expense			
UK corporation tax		-	-
Foreign tax		34	62
Withholding taxes payable		49	40
Adjustments in respect of prior years		(6)	-
		<u>77</u>	<u>102</u>
Deferred tax credit for current year			
Origination and reversal of timing differences		(20)	(76)
Effect of change in tax rate on opening liability		(228)	-
Adjustments in respect of prior years		-	21
	16	<u>(248)</u>	<u>(55)</u>
Total tax (benefit) / expense		<u>(171)</u>	<u>47</u>

b. Factors affecting the tax charge for the year

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

	2022 £000	2021 £000
Profit / (loss) before tax	<u>546</u>	<u>(1,266)</u>
Profit / (loss) multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	104	(241)
Tax losses utilised	(311)	(62)
Research and development expenditure	(208)	(7)
Foreign tax due in respect of permanent establishments	34	36
Irrecoverable withholding taxes	49	40
Adjustment for over-provision in prior years	(6)	-
Temporary differences	121	166
Other	46	115
Total tax (benefit) / expense	7a. <u>(171)</u>	<u>47</u>

Future tax charges will principally be affected by the expected increase in UK Corporation from 1 April 2023 to 25% (2021 :19%) and continuing higher overseas tax rates.

In the March 2021 Budget, the UK Government announced that legislation would be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. The legislation received Royal Assent on 10 June 2021 and became Finance Act 2021. As the changes have been substantively enacted prior to the balance sheet date, the deferred tax balances as at 31 March 2022 are measured at a rate of 25%.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2022

8. TANGIBLE ASSETS

	Leasehold improvements £000	Fixtures, fittings & office equipment £000	Computer hardware & software £000	Total £000
Cost:				
at 1 April 2021	13	239	2,380	2,632
Additions	-	-	86	86
Foreign exchange rate movements	(1)	(1)	(3)	(5)
At 31 March 2022	12	238	2,463	2,713
Depreciation:				
at 1 April 2021	10	232	2,270	2,512
Depreciation charge for the year	-	2	79	81
Foreign exchange rate movements	-	(2)	(2)	(4)
At 31 March 2022	10	232	2,347	2,589
Net book value at 31 March 2022	2	6	116	124
Net book value at 31 March 2021	3	7	110	120

9. INVESTMENTS

			2022 £000	2021 £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	2022	2021
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

³ 799 Rama 9 Road, Bang Kapi, Huai Khwang, Bangkok 10310, Thailand

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2022

10. DEBTORS: amounts falling due within one year

	2022	2021
	£000	£000
Trade debtors	5,530	3,864
Amounts owed by group undertakings	170,699	152,360
Overseas tax recoverable	962	1,236
Prepayments and accrued income	800	1,291
Amounts recoverable on contracts	9,873	9,509
Deferred tax assets (note 16)	1,473	1,225
	<u>189,337</u>	<u>169,485</u>

Included in trade debtors is £2.4m (2021: £0.5m) owing from subsidiaries within the Yokogawa group.

11. CREDITORS: amounts falling due within one year

	2022	2021
	£000	£000
Payments on account on contracts	3,124	2,940
Trade creditors	526	319
Amounts owed to group undertakings	182,482	164,832
Other tax and social security	35	38
Accruals and deferred income	2,907	1,813
	<u>189,074</u>	<u>169,942</u>

Included in trade creditors is £0.0m (2021: £0.1m) owed to subsidiaries within the Yokogawa group.

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 17 for details of performance guarantees.

12. SHARE CAPITAL

	2022	2021
	£000	£000
Issued and fully paid:		
440,898 ordinary shares of £1 each	<u>441</u>	<u>441</u>

Ordinary share rights

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2022

13. 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.

14. RETIREMENT BENEFIT EXPENSE

	2022 £000	2021 £000
Total retirement benefit expense	624	554
Commitment outstanding at year end	-	-

15. LEASING COMMITMENTS

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

	2022 £000	2021 £000
Within one year	437	552
Between one and five years	123	429
	560	981

16. DEFERRED TAXATION

	Tax losses	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
Recognised deferred tax assets:				
At 1 April 2020	526	660	(16)	1,170
Profit and loss account credit / (debit)	-	76	(21)	55
At 31 March 2021	526	736	(37)	1,225
Profit and loss account credit	-	248	-	248
At 31 March 2022	526	984	(37)	1,473

A deferred tax asset in respect of carry forward trading losses has been recognised of £526,000 (2021: 526,000) as it is probable that future tax profits will be available against which the Company can utilise the benefits and can be carried forward indefinitely.

KBC Process Technology Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2022

17. CONTINGENT LIABILITIES

Performance guarantees

Bank-backed performance guarantees given to third parties as at 31 March 2022 are detailed below:

	£000
Advance payment & performance guarantees	
At 31 March 2022	118
At 31 March 2021	52

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

18. EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events between 31 March 2022 and the date of authorisation of the financial statements which would require adjustments of the financial statements or disclosure.

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

20. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of KBC Advanced Technologies Limited, which is the immediate parent company registered in England and Wales. The ultimate 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.