



Embargoed until 07.00

16 March 2010

**KBC Advanced Technologies plc**  
(“KBC” or “the Group”)  
**Preliminary results for the year ended 31 December 2009**

KBC Advanced Technologies plc, a leading consultant to the energy industry, today announces its preliminary results for the year to 31 December 2009.

	<b>12 months to 31 December 2009</b>	12 months to 31 December 2008
Revenue	<b>£52.6m</b>	£52.8m
<u>Statutory basis</u>		
Profit before tax	<b>£4.6m</b>	£5.4m
Basic earnings per share	<b>5.4p</b>	6.4p
<u>Underlying basis*</u>		
Profit before tax	<b>£5.7m</b>	£5.7m
Earnings per share	<b>6.8p</b>	6.9p
Full year dividend per share	<b>1.55p</b>	1.35p

**Highlights**

- Resilient performance in challenging economic circumstances
- Flat revenue and underlying profits
- Growth in contract awards and order book
- 88% growth in software revenue
- Full benefit of £2.8m annualised cost savings in 2010
- Dividend up 15%
- Strong balance sheet with net cash of £4m
- Resumption of growth expected in 2010

*Note \* Underlying profit before tax and earnings per share exclude the impact of the carry forward of software development costs, their amortisation, the amortisation of acquired intangible assets and one-off redundancy costs. See note 3 to this statement.*

**Ian Miller, Chairman of KBC, commented:**

“KBC delivered a resilient performance in 2009 with the year ending strongly despite the challenging economic environment. Revenue was essentially flat compared to 2008 but, despite a significant impact from unfavourable foreign exchange movements, underlying profits were maintained at similar levels to 2008.

The cost savings delivered last year totalled around £2.8m on an annualised basis and we will see the full benefit of this in 2010. Predicting the timing of new project awards is still difficult and pricing pressure remains. However, with continued cost control and a continuation of the improvement in trading we saw in the second half of 2009, we expect to see a resumption of growth during 2010.”

**- Ends -**

**For further information, please contact:**

**KBC Advanced Technologies plc**

George Bright, Chief Executive  
Nicholas Stone, Operations and Finance Director

On 16 March: 020 7012 2000  
thereafter: 01932 236314

**Arbuthnot Securities**

James Steel/John Prior

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**Weber Shandwick Financial**

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**Notes to Editors:**

For 30 years KBC's consultants have provided independent strategic and engineering expertise to enable leading companies in the global energy business and other process industries to manage risk while maximising value from their assets.

In times of economic uncertainty and increasing environmental pressure, KBC's proprietary methodologies and innovative tools guide its clients' key strategic decisions, enabling them to prioritise and implement initiatives that maximise return on investment, and improve operational performance. KBC offers Strategic and Market, Capital Investment, Operating, Organisational and Environmental Solutions.

For more information, visit [www.kbc.com](http://www.kbc.com).

## Chairman's statement

### SUMMARY

KBC delivered a resilient performance in 2009 with the year ending strongly despite the challenging economic environment, especially in the downstream oil and gas industry. Revenue was essentially flat compared to 2008 but, despite a significant impact from unfavourable foreign exchange movements, underlying profits were maintained at similar levels to 2008.

Contract awards for the year were £55.3m, up by 6% on 2008's total of £52.4m. The consequent workload backlog at 31 December 2009 was £40.8m, compared to £39.6m at the previous year end, an increase of 3%.

As economic activity and oil product demand declined in North America and Europe during 2009, oil refining operations came under significant pressure and processing capacity exceeded demand in many areas. The immediate reaction from most operators in those regions was to significantly reduce discretionary expenditure, which had a consequent impact on our ability to win new contracts. Although capital investment in other parts of the world held up well, our consultant utilisation fell in the first half of the year. We responded with our own cost cutting measures and consulting utilisation improved in the second half. Software sales were very strong throughout the year with a number of new license sales and a growing level of ongoing maintenance and support revenue leading to an 88% increase in overall software revenue.

### RESULTS

Revenue for the year was steady at £52.6m (2008: £52.8m). Underlying profit before tax also remained steady at £5.7m (2008: £5.7m) and underlying basic earnings per share were 6.8p (2008: 6.9p).

On a statutory basis, operating profit was £4.8m (2008: £5.5m), profit before tax was £4.6m (2008: £5.4m) and basic earnings per share were 5.4p (2008: 6.4p).

Year end cash balances were lower than the prior year mainly due to the impact on working capital of the payment during the year of the 2008 bonus and profit share. Nevertheless, with a year end net cash balance of £4.0m and bank facilities of £4.9m, the Group retains a strong balance sheet and working capital position.

### DIVIDEND

The Board is pleased to recommend a final dividend of 1.1p per share. With an interim dividend of 0.45p per share paid in October 2009, this leads to a total payment of 1.55p per share, an increase of 15% over 2008 (1.35p per share). This recommendation reflects the resilience of the results and the previously stated intention to increase our dividend payments over time and reduce the dividend cover. Subject to approval at the Annual General Meeting, the dividend will be payable on 18 May 2010 to shareholders on the register at close of business on 7 May 2010.

### CURRENT TRADING AND OUTLOOK

The second half of 2009 was much stronger than the first half in terms of sales awards, with a total of £30.8m compared to £24.5m in the first half. Backlog grew from £35.0m at the end of June to £40.8m at the year end (Dec 2008: £39.6m). We therefore started 2010 with a stronger workload and expect consultant utilisation to be higher than in 2009. We have started to see evidence that the frozen budgets of last year are being released and expect more refiners in North America and Europe to undertake projects to improve profitability and save costs. Work driven by capital projects in the growth regions of the world continues and we also expect to see further strong software license sales, albeit not quite at the levels seen in 2009.

The cost savings delivered last year totalled around £2.8m on an annualised basis and we will see the full benefit of this in 2010. Predicting the timing of new project awards is still difficult and pricing pressure remains. However, with continued cost control and a continuation of the improvement in trading we saw in the second half of 2009, we expect to see a resumption of growth during 2010.

We continue to look for opportunities to create shareholder value including the organic development of our services and products, acquisitions and use of the standing authority to repurchase our shares.

**Ian Miller**  
**Chairman**

## Business review

### THE REFINING MARKET

During 2009 many refiners were forced to rethink their strategy following the wild swings in crude prices experienced in 2008 that were combined with the fall in demand that accompanied the economic downturn. Crude prices in 2009 remained relatively stable throughout the year, and the current range of \$65 - \$80 per barrel is sufficient to allow reasonable levels of investment in new production of both conventional and non conventional energy sources.

For refining companies in Europe, North America and Japan, excess refining capacity, together with a closing of the price gap between 'sweet' and 'sour' crude has led to significant reductions in margins. In our view, capacity in these regions needs to be reduced to make the industry competitive.

In the US by the middle of 2009 a number of refiners had ceased to process heavy crudes and some refinery capacity was permanently closed.

In Europe Total is closing its Dunkirk facility and Shell has placed three refineries on the market, including Stanlow in the UK. We believe there is more rationalisation to come, especially amongst the niche refiners and we anticipate continued turmoil in this region. Despite this difficult environment, cost cutting in energy, maintenance and manpower is once again high on the agendas of our clients and this fits KBC's suite of services and products.

In contrast to this, in China, the Middle East, India and Brazil capital investment in new refining and petrochemical facilities continues unabated and provides additional opportunities for KBC's services and products.

### KBC'S RESPONSE

In addition to the headcount reduction implemented by KBC in the second quarter, 2009 saw the rebranding of our key products to better align them to market needs.

- **Strategic Solutions:** a range of services including technical due diligence for M&A activities, project configurations and feasibility studies, contract strategy and negotiation support and expert witness services.
- **Operating Solutions:** process engineering optimisation, reliability and maintenance, operations planning, alternative fuels and feedstocks, petrochemicals and improved safety performance.
- **Capital Solutions:** process design and design optimisation, revamp studies, owner's engineer support and plant startup.
- **Organisational Solutions:** organisational alignment, leadership training, training systems optimisation, performance management systems and operating manual development.
- **Environmental Solutions:** a new area of focus for KBC, includes emissions reduction, emissions compliance, environmental impact assessments, contaminated land investigation and environmental management systems.

### STRATEGY AND INDUSTRY OUTLOOK

Our strategy is to anticipate changes in the market, and then provide our clients with relevant solutions.

Oil demand in the developed world is substantially down year on year, leading to significant overcapacity that we expect will have to be corrected. This will be the key challenge in 2010. Refinery operators' cost management, particularly in controllable areas of manpower, energy and maintenance, will continue to play a significant part in this effort. Additionally, we expect demand for our Strategic Solutions related to asset transfers to grow during 2010.

Continued expansion of refining capacity in the developing world helped to bolster demand for our Capital Solutions in 2009 and we expect this to be sustained during 2010. As many of these projects are driven by national strategic as well as economic considerations, it is likely that the current pace of consulting work associated with new project builds will continue for the foreseeable future. As these projects develop into operational plants, the relative lack of operations expertise and experience in some of these countries will also provide KBC with opportunities to support them through the operating cycle. Whilst demand for Operating Solutions and Organisational Solutions was weaker than anticipated in 2009 as a result of extreme budget cut backs in the first quarter, further rationalisation is inevitable in the developed countries. We expect demand for our Operating Solutions to increase in 2010 as asset owners strive to maximise margins in very competitive markets in order to stay in business.

The pressure on industry and consumers to control and reduce emissions continues to grow. In 2009 we laid the groundwork for our new environmental consulting business, and we expect strong growth in this area over the course of 2010.

## Business review

### CONTRACT AWARDS

Contract awards for 2009 totalled £55.3m, up 6% over the prior year. Key awards included

- Our first O&M (operations and maintenance) contract with PetroVietnam worth US\$10m
- Corporate software licence with Petrobras worth US\$4m
- Conceptual engineering study for a new refinery in Ecuador (SK E&C) worth US\$9m
- Training system improvement programme for Irving Oil
- Human performance improvement programme for Takreer, UAE
- Continuing technical service agreement with Petronas
- Owner advisory services for PetroSA in support of new refinery study
- A corporate Petro-SIM™ licence sale to Sinopec
- Petro-SIM sales to TNK-BP, Qatar Petroleum and renewals with Repsol

### CONSULTING

In order to maintain margins a redundancy programme was initiated and completed during the second quarter of 2009. This was focused on consulting, reduced numbers by 12% at a cost of £0.7m and has resulted in an annualised saving of £2.8m. Furthermore, given the uncertainty of future workload, most senior staff and management volunteered a temporary 10% reduction in salary for the second half of the year. This was repaid following the year end from the bonus pool for 2009. Demand for KBC's consulting services improved throughout the second half of the year and this improvement looks set to continue into 2010.

In April 2009 we hired two key members of Amec's UK environmental business to establish a practice for KBC in that area. With the continued pressure on industry to reduce emissions, it is anticipated that this business will generate significant revenues over the next few years.

### SOFTWARE

Total software revenues grew by nearly 90% in 2009 to record levels for the business, a great achievement in the current economic environment. The year saw our Petro-SIM plant-wide simulation tool reach a total installed base of more than 170 sites around the world. A dynamic simulation version of Petro-SIM was released during the year and we are working in conjunction with a partner, Ingenious Inc, to allow us to expand the use of the tool in the operator training simulator market. This, in combination with our human performance solutions, will help to position KBC as a provider of a complete operator training management system. We also signed a reseller agreement with ISS Group who market a web-based data integration and visualisation tool, BabelFish. We are already seeing considerable interest from clients in developing unit and plant-wide performance monitoring and target setting applications using a combination of KBC's downstream expertise, KBC's modelling technology and BabelFish. Both of these developments widen the potential applications of Petro-SIM as a tool within our current client base, but also offer the potential to expand its application more widely in the energy industries.

Development work throughout the year focused on completion of Petro-SIM Version 4, the final stages of integration of the Veritech energy software tools into the KBC Energy software suite and the release of SuperTarget Version 7. Petro-SIM V4 will be the first major new version since 2007 and will better integrate the process models within the Petro-SIM environment. It has been successfully beta tested with key clients and will be previewed at the National Petrochemical & Refiners Association conference in Houston in March 2010.

### OPERATING RESULTS

Group revenue was essentially flat at £52.6m compared with £52.8m in 2008. Exchange rate movements had a negative impact on revenue for the year and at constant exchange rates revenue would have been £56.0m. Software revenue increased by 88% from £7.9m to £14.8m, an exceptionally strong result reflecting the successful implementation of the backlog we carried into 2009 and further strong sales in the period. Included in this software revenue is an annualised total of £4.7m of maintenance and support revenue, up from £4.1m last year, with the balance being new license sales. Consulting revenue decreased by 16% from £44.9m to £37.8m, reflecting the lower consultant utilisation in the period and pressure on rates earned per hour.

Group costs increased by 1% compared to the previous year. Direct costs, staff and associate consultant costs decreased by around 2% overall as action was taken during the year to cut costs and significantly reduce

## Business review

performance related bonuses. This included a one-off charge of £0.7m for the cost of the staff reductions, which is added back in reporting our underlying profit measure.

Other operating charges increased by 14%, or £1.2m, which was driven by the difference in foreign exchange gains and losses between 2008 and 2009. A realised gain of £0.55m was made in 2008 on the value of cash received in foreign currencies when measured against the sterling value of the revenue originally booked which was not repeated this year. In addition, a net unrealised loss of £0.6m (2008: gain of £0.5m) was recorded on the value of working capital balances and associated forward exchange contracts as measured at year end against the original booked value of the transactions. If the impact of this £1.8m swing in profitability were ignored, other operating charges would have reduced by 5% in the year.

Operating profit on an underlying basis was £5.8m. This measure ignores the carry forward of software development costs, their amortisation, the amortisation of acquired intangible fixed assets and the one-off redundancy costs, and was the same as the equivalent measure in 2008. Statutory operating profit fell by 14% to £4.8m (2008: £5.5m).

The finance cost of £0.2m (2008: £0.1m) reflects a small increase in bank interest payable as an overdraft was utilised for a few months in the middle of the year. Also included in the charge is the unwinding of the discount applied to deferred consideration for the acquisitions made in 2006 in order to record on the balance sheet the net present value of those future payments.

### PROFIT BEFORE TAX

The profit before tax of £4.6m shows a decrease of 15% from £5.4m in 2008.

### TAX

The tax charge of £1.6m (2008: £1.8m) for the year is made up of current tax expense of £1.4m and deferred tax of £0.2m. Within the current tax expense is £1.1m of tax payable on overseas operations and £0.5m of withheld tax that is not expected to be recoverable against UK corporation tax as a result of the continuing availability of losses brought forward. The deferred tax charge is principally the usage of tax losses brought forward against current profits and the consequent reduction of the deferred tax asset held on the balance sheet.

The tax rate of around 34% (2008: 33%) of pre-tax profits remains higher than the current rate of UK corporation tax of 28%. The main reasons for the higher rate are the non-recovery of tax withheld on payments from overseas territories of £0.3m (6%), higher taxes on earnings in overseas subsidiaries £0.2m (5%) and expenses not deductible for tax purposes of £0.3m (4%). The impact of these factors has been partially offset by non-taxable income of £0.2m (3%) derived from foreign exchange movements on intercompany balances.

A net deferred tax asset of £1.0m (2008: £1.2m) remains on the balance sheet representing mainly prior year tax losses that have not yet been utilised and are expected to be utilised in future years.

### EARNINGS AND DIVIDENDS

The profit after tax of £3.0m (2008: £3.6m) equates to basic earnings per share of 5.4p, compared to 6.4p in 2008, a decrease of 16%. Diluted earnings per share were 5.3p and 6.3p respectively. Earnings per share calculated on the underlying profit measure decreased by 2% from 6.9p to 6.8p.

A final dividend of 1.1p per share is proposed for the year, following the interim dividend of 0.45p per share paid in October 2009. This leads to a total payment of 1.55p per share, making an increase of 15% over 2008 (1.35p per share). Assuming it is approved by shareholders at the AGM, the dividend will be payable on 18 May 2010 to shareholders on the register at close of business on 7 May 2010.

### PROVISION FOR ONEROUS LEASE

The Company holds a lease for an office property occupied by the business until May 2001 and vacated by a subtenant in 2006. The rental market weakened between 2001 and 2006 and during that year the Board re-assessed the probable cash outflow from the lease and determined that an addition of £0.55m to the current onerous lease provision was required to cover the expected cost over its remaining life. This was provided in full in the 2006 financial statements. The property is now largely tenanted until the end of its lease. Having re-assessed the probable cash outflow from this lease following the conclusion of the new subleases, the Board has determined that no further provision is required.

## **Business review**

### **CARRY FORWARD OF SOFTWARE DEVELOPMENT COSTS**

Prior to 2006 the Group had written off all software development costs to the Income Statement each year. Under UK GAAP there was discretion for Directors to write off expenditure as incurred, irrespective of the stage of development of the software product. However, under IAS that discretion is no longer available and, under the accounting policy adopted in 2005 on conversion to IAS, development expenditure is carried forward when "its future recoverability can be reasonably regarded as assured and technical feasibility and commercial viability can be demonstrated". During 2006 the Board took the view that the Petro-SIM development had reached this stage. Hence, after a charge for each year's amortisation in the accounts for 2006, 2007 and 2008 net expenditure of £0.7m was carried forward against expected future sales at 31 December 2008.

Although the development of the current version of Petro-SIM is now all but complete, the revenues and contribution from the software business have grown further in 2009, as noted previously. A further update of the current version was released in 2009 and development expenditure incurred during the year of £0.1m has been carried forward and is amortised against expected future revenue. Amortisation of £0.25m was charged to the income statement in the year thus giving an overall net charge of £0.15m.

### **WORKING CAPITAL**

Trade and other receivables decreased during the year from £24.2m to £20.9m, or 14%, compared to a marginal revenue decrease. However trade and other payables fell by 48% from £12.4m to £6.4m with sharp reductions in deferred revenue and the accrual for profit share and bonus payments. If deferred revenue is excluded, the net movement in receivables has shown a decline of 6%. The accrual for profit share and bonus payments was £0.6m (which included the repayment of the voluntary salary sacrifice during the year) compared to £2.9m in 2008.

### **FINANCIAL RISK MANAGEMENT**

The Group's principal financial instruments comprise trade receivables, trade payables, cash, short term deposits and short term lines of credit used to finance the Group's operations and future growth. The major financial risks faced by the Group are interest rates, currency risk, contract risks, and the continued availability of equity and debt finance.

### **INTEREST RATES**

At 31 December 2009 the Group held cash balances of £4.0m and no overdraft balances, compared to cash balances of £5.7m at 31 December 2008. Cash balances in excess of immediate needs are placed on short term deposit in the money markets. Overdraft facilities available to the Group for use in managing the timing of cash flow in different countries and currencies were used periodically during the year. Current overdraft facilities available to the Group total £2.9m. In addition a three year revolving credit facility of £2.0m was negotiated in early 2008 to provide additional liquidity and possible acquisition funds. Interest charges on this facility are linked to the LIBOR rate appropriate to the duration and currency of any draw down.

**George Bright**  
*Chief Executive*

**Nicholas Stone**  
*Operations and Finance Director*

# Group Income Statement

For the year ended 31 December 2009

	Notes	2009 £000	2008 £000
<b>Revenue</b>		<b>52,587</b>	52,769
Direct costs		<b>(5,587)</b>	(7,913)
Staff and associate costs		<b>(31,032)</b>	(29,620)
Depreciation and amortisation		<b>(1,042)</b>	(812)
Other operating charges		<b>(10,155)</b>	(8,935)
<b>Operating profit</b>		<b>4,771</b>	5,489
Finance revenue		<b>5</b>	14
Finance cost		<b>(166)</b>	(112)
<b>Profit before tax</b>		<b>4,610</b>	5,391
Tax expense		<b>(1,576)</b>	(1,803)
<b>Profit for the year</b>		<b>3,034</b>	3,588
<b>Earnings per share</b>			
Basic	4	<b>5.4p</b>	6.4p
Diluted	4	<b>5.3p</b>	6.3p

# Group Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 £000	2008 £000
Profit for the period	<b>3,034</b>	3,588
Other comprehensive income:		
Exchange differences on translation of foreign operations recognised directly in equity	<b>(1,103)</b>	3,614
<b>Total comprehensive income recognised in year</b>	<b>1,931</b>	7,202

# Group Statement of Changes in Equity

For the year ended 31 December 2009

	Issued capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Own Shares £000	Share Based payments £000	Foreign exchange Reserve £000	Retained earnings £000	Total £000
At 1 January 2008	1,420	8,013	55	929	(2,136)	707	(1,014)	12,613	20,587
Total comprehensive income	-	-	-	-	-	-	3,614	3,588	7,202
Share based payments	-	-	-	-	-	295	-	-	295
Tax on share based payments	-	-	-	-	-	(12)	-	-	(12)
Exchange translation adjustment	-	-	-	-	-	88	-	-	88
Shares issued	7	26	-	-	-	-	-	-	33
Utilisation of own shares	-	-	-	-	1,138	-	-	(1,125)	13
Dividends	-	-	-	-	-	-	-	(475)	(475)
<b>At 1 January 2009</b>	<b>1,427</b>	<b>8,039</b>	<b>55</b>	<b>929</b>	<b>(998)</b>	<b>1,078</b>	<b>2,600</b>	<b>14,601</b>	<b>27,731</b>
Total comprehensive income	-	-	-	-	-	-	(1,103)	3,034	1,931
Share based payments	-	-	-	-	-	275	-	-	275
Exchange translation adjustment	-	-	-	-	-	(48)	-	-	(48)
Shares issued	2	21	-	-	-	-	-	-	23
Utilisation of own shares	-	-	-	-	546	-	-	(546)	-
Dividends	-	-	-	-	-	-	-	(816)	(816)
<b>At 31 December 2009</b>	<b>1,429</b>	<b>8,060</b>	<b>55</b>	<b>929</b>	<b>(452)</b>	<b>1,305</b>	<b>1,497</b>	<b>16,273</b>	<b>29,096</b>

The amount included in the foreign exchange reserve represents other comprehensive income for each component net of tax.

# Group Balance Sheet

As 31 December 2009

	2009	2008
	£000	£000
<b>Non-current assets</b>		
Property, plant and equipment	1,584	1,690
Goodwill	7,372	7,670
Other intangible assets	939	1,296
Deferred tax asset	1,576	1,637
	<b>11,471</b>	<b>12,293</b>
<b>Current assets</b>		
Trade and other receivables	20,986	24,192
Current tax receivable	123	-
Cash and short-term deposits	3,975	5,691
Other financial assets	48	-
	<b>25,132</b>	<b>29,883</b>
<b>Total assets</b>	<b>36,603</b>	<b>42,176</b>
<b>Non-current liabilities</b>		
Trade and other payables	-	(172)
Provisions	-	(203)
Deferred tax liabilities	(616)	(463)
	<b>(616)</b>	<b>(838)</b>
<b>Current liabilities</b>		
Trade and other payables	(6,380)	(12,380)
Current tax payable	(326)	(552)
Provisions	(185)	(153)
Other financial liabilities	-	(522)
	<b>(6,891)</b>	<b>(13,607)</b>
<b>Total liabilities</b>	<b>(7,507)</b>	<b>(14,445)</b>
<b>Net assets</b>	<b>29,096</b>	<b>27,731</b>
<b>Equity attributable to equity holders of parent</b>		
Issued capital	1,429	1,427
Share premium	8,060	8,039
Other reserves	984	984
Own shares	(452)	(998)
Retained earnings	19,075	18,279
<b>Total equity</b>	<b>29,096</b>	<b>27,731</b>
<b>Total equity and liabilities</b>	<b>36,603</b>	<b>42,176</b>

# Group Cash Flow Statement

Year ended 31 December 2009

	2009	2008
	£000	£000
<b>Net cash flow from operating activities</b>		
Profit before tax	4,610	5,391
Finance revenue	(5)	(14)
Finance cost	166	112
<b>Operating profit</b>	<b>4,771</b>	<b>5,489</b>
Depreciation and amortisation	1,042	812
Share based payment expense	275	295
Movement in working capital	(3,524)	185
Cash generated from operations	2,564	6,781
Finance revenue received	5	14
Finance costs paid	(166)	(112)
Income taxes paid	(1,588)	(836)
<b>Net cash flow from operating activities</b>	<b>815</b>	<b>5,847</b>
<b>Cash flow from investing activities</b>		
Purchase of tangible non current assets	(498)	(474)
Purchase of intangible non current assets	(105)	(127)
Purchase of subsidiary undertaking including costs	(879)	(581)
<b>Net cash flow from investing activities</b>	<b>(1,482)</b>	<b>(1,182)</b>
<b>Cash flow from financing activities</b>		
Dividends paid to equity holders of parent	(816)	(475)
Issue of shares	23	46
<b>Net cash flow used in financing activities</b>	<b>(793)</b>	<b>(429)</b>
Net increase/(decrease) in cash and cash equivalents	(1,460)	4,236
Cash and cash equivalents at 1 January	5,691	1,349
Exchange adjustments	(256)	106
<b>Cash and cash equivalents at 31 December</b>	<b>3,975</b>	<b>5,691</b>

## 1. Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2008 or 2009. Statutory accounts for the years ended 31 December 2009 and 31 December 2008 have been reported on by the Independent Auditors. The Independent Auditors' Report on the Annual Report and Financial Statements for 2008 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 237(2) or 237(3) of the Companies Act 1985. The Independent Auditors' Report on the Annual Report and Financial Statements for 2009 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2008 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2009 will be delivered to the Registrar in due course.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"s) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

The financial statements are prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

## 2. Segmental information

The Group has adopted IFRS 8, Operating segments, which uses a "management approach", under which information is presented on the same basis as that used for internal reporting purposes.

With effect from 1 January 2009 the Group revised its internal reporting structure to a regionalised basis.

During the period the Board considered that the time and cost involved in preparing all the comparable historical data was prohibitive and as a consequence it has not been possible to present a complete analysis of the year to 31 December 2008 in the same format as the year to 31 December 2009.

The presentation below shows the segmental information for 2009 in the new format and information for 2008 in the new format where it is able to be prepared. The income statement information for 2008 as previously reported is also reproduced here.

With regard to the balance sheet, those elements of the balance sheet where regional reporting is prepared have been disclosed. Those elements are trade receivables and provisions, amounts recoverable on contracts and deferred revenue.

<b>New reporting structure</b>	Americas	Asia	EMEA	Unallocated	Total
<b>2009</b>	£000	£000	£000	£000	£000
<b>Income Statement</b>					
Rendering of services (Consulting)	15,463	9,774	12,514	-	37,751
Sale of goods (Software)	4,999	4,116	5,721	-	14,836
Total revenue	20,462	13,890	18,235	-	52,587
Contribution	9,113	6,898	7,514	-	23,525
Operating profit before amortisation	3,805	3,229	1,906	(3,672)	5,268
Amortisation	-	-	-	(497)	(497)
Operating profit	3,805	3,229	1,906	(4,169)	4,771
Finance revenue	-	-	-	5	5
Finance cost	-	-	-	(166)	(166)
Profit before tax	3,805	3,229	1,906	(4,330)	4,610
Tax expense	-	-	-	(1,576)	(1,576)
Profit for the year	3,805	3,229	1,906	(5,906)	3,034

## 2. Segmental information continued

New reporting structure 2008	Americas £000	Asia £000	EMEA £000	Unallocated £000	Total £000
<b>Income Statement</b>					
Rendering of services (Consulting)	20,016	9,906	14,942	-	44,864
Sale of goods (Software)	3,166	1,926	2,813	-	7,905
<b>Total revenue</b>	<b>23,182</b>	<b>11,832</b>	<b>17,755</b>	<b>-</b>	<b>52,769</b>
Operating profit before amortisation	-	-	-	5,924	5,924
Amortisation	-	-	-	(435)	(435)
Operating profit	-	-	-	5,489	5,489
Finance revenue	-	-	-	14	14
Finance cost	-	-	-	(112)	(112)
Profit before tax	-	-	-	5,391	5,391
Tax expense	-	-	-	(1,803)	(1,803)
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,588</b>	<b>3,588</b>

Previous reporting structure 2008	Consultancy £000	Software £000	Unallocated £000	Group £000
<b>Income statement</b>				
External sales	44,864	7,905	-	52,769
Direct project costs	(29,431)	(3,573)	-	(33,004)
Depreciation and amortisation		(275)	(537)	(812)
Sales and marketing			(4,580)	(4,580)
Facilities and communications			(5,068)	(5,068)
Management and support services			(3,816)	(3,816)
Trading profit/(loss) (segment result)	15,433	4,057	(14,001)	5,489
Finance revenue			14	14
Finance cost			(112)	(112)
Profit before tax				5,391
Tax expense				(1,803)
<b>Profit for the year</b>				<b>3,588</b>

## 2. Segmental information continued

<b>New reporting structure</b>	Americas	Asia	EMEA	Unallocated	Total
<b>2009</b>	£000	£000	£000	£000	£000
<b>Balance Sheet - extract</b>					
Trade receivables	<b>2,293</b>	<b>3,950</b>	<b>5,029</b>	<b>118</b>	<b>11,390</b>
Provisions	<b>(359)</b>	<b>(95)</b>	<b>(257)</b>	-	<b>(711)</b>
Net carrying amount	<b>1,934</b>	<b>3,855</b>	<b>4,772</b>	<b>118</b>	<b>10,679</b>
Amounts recoverable on contracts	<b>2,452</b>	<b>3,233</b>	<b>3,005</b>	-	<b>8,690</b>
Deferred revenue	<b>1,006</b>	<b>1,151</b>	<b>776</b>	-	<b>2,933</b>
<b>New reporting structure</b>	Americas	Asia	EMEA	Unallocated	Total
<b>2008</b>	£000	£000	£000	£000	£000
<b>Balance Sheet - extract</b>					
Trade receivables	4,859	3,912	6,339	61	15,171
Provisions	(330)	-	(282)	-	(612)
Net carrying amount	4,529	3,912	6,057	61	14,559
Amounts recoverable on contracts	2,306	2,694	3,205	-	8,205
Deferred revenue	1,165	1,150	2,737	-	5,052

### 3. Group operating profit

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

	2009	2008
	£000	£000
Depreciation and amortisation		
– Depreciation	545	377
– Amortisation of intellectual property rights		
– Existing intellectual property rights	245	219
– Development costs carried forward	252	216
Total	1,042	812
Included in other operating charges		
– Operating lease rentals		
– Minimum lease payments	2,306	2,039
– Sublease rentals received	(302)	(235)
– Share based payments	275	295
– Net foreign exchange differences	682	(1,092)

#### a) Research and development costs

During 2009 the Group incurred research and development costs of £2.8m (2008: £1.8m). Of this amount £105,000 (2008: £127,000) related to development expenditure for Petro-SIM and has been carried forward as an intangible asset to be amortised against expected future sales. The balance was charged directly to staff and associate costs and direct costs in the Income Statement.

#### b) Underlying operating profit

	2009	2008
	£000	£000
Operating profit	4,771	5,489
Amortisation of acquisition intangibles	245	219
Development costs carried forward	(105)	(127)
Amortisation of development costs carried forward	252	216
Redundancy costs	667	-
Underlying operating profit	5,830	5,797
Finance revenue	5	14
Finance cost	(166)	(112)
Underlying profit before tax	5,669	5,699
Tax expense	(1,939)	(1,906)
Underlying profit after tax	3,730	3,793

#### 4. Earnings per share

Basic earnings per share are calculated by dividing after tax net profit for the year attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares in issue during the year.

	<b>2009</b>	2008
	<b>£000</b>	£000
Profit for the year	<b>3,034</b>	3,588
	<b>Number</b>	Number
	<b>000s</b>	000s
Weighted average number of ordinary shares in issue	<b>56,330</b>	55,970
Number of shares used for basic and underlying earnings per share	<b>56,330</b>	55,970
Dilution	<b>1,294</b>	1,090
Number of shares used for diluted and diluted underlying earnings per share	<b>57,624</b>	57,060
	<b>Pence</b>	Pence
Basic earnings per share	<b>5.4p</b>	6.4p
Diluted earnings per share	<b>5.3p</b>	6.3p
Basic underlying earnings per share	<b>6.8p</b>	6.9p
Diluted underlying earnings per share	<b>6.6p</b>	6.8p

The former share option plan as detailed in the Directors' remuneration report refers to performance criteria related to EPS growth. The earnings figure used for this purpose is calculated based upon the definition established by the IIMR (Institute of Investment Management and Research) in its Statement of Investment Practice No. 1. The calculation of basic IIMR earnings per share is based upon a profit of £3.03m (2008: profit of £3.59m) and on 56,330,000 (2008: 55,970,000) ordinary shares, being the weighted average number of ordinary shares in issue during the period after excluding the shares owned by the KBC Advanced Technologies plc Employee Trust.

The earnings per share based upon the basic and diluted IIMR earnings per share are 5.4p and 5.3p (2008: 6.4p and 6.3p).

Basic underlying earnings per share [as defined in note 3b] is based upon an after tax profit of £3.73m (2008: profit £3.79m) and on 56,330,000 (2008: 55,970,000) ordinary shares, being the weighted average number of ordinary shares in issue during the period after excluding the shares owned by the KBC Advanced Technologies plc Employee Trust.

The Long Term Incentive Plan 2006 as detailed in the Directors' remuneration report refers to performance criteria related to EPS growth. The basic earnings per share for underlying profit as defined above is used for this purpose.

The dilution referred to above is shown below

	<b>2009</b>	2008
	<b>Number</b>	Number
	<b>000s</b>	000s
Total share options outstanding	<b>4,849</b>	4,051
Share options excluded (see below)	<b>(3,247)</b>	(2,653)
Potentially exercisable share options	<b>1,603</b>	1,398
Fair value shares	<b>(309)</b>	(308)
Dilution	<b>1,294</b>	1,090

Share options excluded are those where the exercise price is greater than the share price at 31 December 2009, those with performance conditions that have not yet been met and those to be settled by the Employee Trust