COMPANY REGISTRATION NUMBER: 02182421

FOSTER FINDLAY ASSOCIATES LIMITED

FILLETED FINANCIAL STATEMENTS

31 DECEMBER 2017

THURSDAY

A7BXWEHT

A17 09/08/2018 #301

COMPANIES HOUSE

JOSEPH MILLER & CO
Chartered Accountants
Newcastle upon Tyne

FOSTER FINDLAY ASSOCIATES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

YEAR ENDED 31 DECEMBER 2017

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 the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

FOSTER FINDLAY ASSOCIATES LIMITED

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Intangible assets	5		5,131,486		4,778,810
Tangible assets	6		135,352		144,680
Investments	7		587,153		637,921
			5,853,991		5,561,411
Current assets					
Debtors	8	4,776,417		4,335,402	
Cash at bank and in hand		196,068		1,732,582	
		4,972,485		6,067,984	
Creditors: amounts falling due within one year	9	(1,867,020)		(1,848,144)	
Net current assets			3,105,465		4,219,840
Total assets less current liabilities			8,959,456		9,781,251
Creditors: amounts falling due after more than one year	10		–		(2,551)
Net assets			8,959,456		9,778,700
Capital and reserves					
Called up share capital	12		10,059,291		10,059,291
Share premium account			1,002,277		1,002,277
Other reserves			(72,860)		(72,860)
Profit and loss account			(2,029,252)		(1,210,008)
Members' funds			8,959,456		9,778,700

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In accordance with section 444 of the Companies Act 2006, the Statement of Comprehensive Income and Directors' Report have not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2018 and are signed on behalf of the Board by:

J CARNEY
Director

Company registration number: 02182421

The notes on pages 3 to 12 form part of these financial statements.

1. General information

The Company is a private company limited by shares, registered in England and Wales. The address of the registered office is Generator Studios, Trafalgar Street, Newcastle upon Tyne, NE1 2LA.

2. Statement of compliance

These financial statements have been prepared in compliance with Section 1A of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Consolidation

The Company has taken advantage of the option not to prepare consolidated financial statements contained in Section 398 of the Companies Act 2006 on the basis that the Company and its subsidiary undertakings comprise a small Group.

Disclosure exemptions

The Company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

(a) No cash flow statement has been presented for the Company.
(b) Disclosures in respect of financial instruments have not been presented.

Pension costs

Contributions payable to the Company's pension scheme are charged to the profit and loss account in the period to which they relate.

Share-based payment

The Company issues equity-settled share-based payments to certain employees (including Directors). Equity-settled share-based payments are measured at fair value at the date of grant.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Investments in own shares

In accordance with Financial Reporting Standard 102 investments in own shares are accounted for as a deduction from equity and included in the Employee Benefit Trust (EBT) reserve in the accounts.

3. **Accounting policies** *(continued)*

Judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable.

Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

In assessing whether there have been any indicators of impairment of assets, Directors have considered both external and internal sources of information such as market conditions, consumer demands and the experience of recoverability.

Revenue recognition

The Company generates revenues from licensing the rights to use its software products, seismic image processing services, training and customer support.

Revenue is measured at the fair value of the consideration received, net of VAT. The following criteria must also be met before revenue is recognised:

Revenues from software licence agreements are recognised when there is an agreement with a customer and delivery of the software has taken place. If significant post-delivery obligations exist, such as new versions and upgrades, then revenues are deferred until the obligations are met on a pro-rata basis over the period of the contract.

Revenues from maintenance services are recognised over the term of the maintenance period.

Revenues from seismic image processing services are recognised as services are performed.

Turnover represents the value of work done in the year, including estimates of amounts not invoiced and is recognised by reference to the stage of completion.

Research and development tax credits are recognised when taxable losses are surrendered and the claims are made.

Taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

3. **Accounting policies** *(continued)*

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Intangible assets

Intangible assets relate to development costs. Research and development expenditure is written off in the profit and loss account in the year in which it is incurred except prototype software costs on defined commercial projects which are included within intangible assets.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Development costs	-	10% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Computer equipment	-	20% to 33 1/3% straight line
Fixtures and fittings	-	10% straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

3. Accounting policies *(continued)*

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Financial instruments

Financial liabilities are classified and accounted for, according to the substance of the contractual arrangements, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

4. Staff numbers

The average number of persons employed by the Company during the year amounted to 35 (2016: 34).

5. Intangible assets

	Development costs £
Cost	
At 1 January 2017	10,717,753
Additions	1,179,201
At 31 December 2017	11,896,954
Amortisation	
At 1 January 2017	5,938,943
Charge for the year	826,525
At 31 December 2017	6,765,468
Carrying amount	
At 31 December 2017	5,131,486
At 31 December 2016	4,778,810

Development costs represent expenditure on individual projects which is carried forward when its future recoverability can be foreseen with reasonable assurance and is amortised in line with sales from the related products.

6. Tangible assets

	Computer equipment £	Fixtures and fittings £	Total £
Cost			
At 1 January 2017	838,998	199,190	1,038,188
Additions	73,718	–	73,718
At 31 December 2017	912,716	199,190	1,111,906
Depreciation			
At 1 January 2017	751,437	142,071	893,508
Charge for the year	66,627	16,419	83,046
At 31 December 2017	818,064	158,490	976,554
Carrying amount			
At 31 December 2017	94,652	40,700	135,352
At 31 December 2016	87,561	57,119	144,680

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Computer equipment £
At 31 December 2017	2,754
At 31 December 2016	22,002

7. Investments

	Shares in Group undertakings £
Cost	
At 1 January 2017 and 31 December 2017	637,921
Impairment	
At 1 January 2017	–
Impairment loss	50,768
At 31 December 2017	50,768
Carrying amount	
At 31 December 2017	587,153
At 31 December 2016	637,921

The Company owns 1 Ordinary share of £0.01 of GeoTeric Limited, a wholly owned subsidiary incorporated in England and Wales, which remained dormant throughout the year.

The Company owns 1,000 Common Stock of $1 in Foster Findlay Associates Incorporated, a wholly owned subsidiary, which was incorporated in the state of Texas, U.S.A and sells software licences and associated consultancy and services.

The Company owns 1 Ordinary share of £1 of Foster Findlay Associates (EBT) Limited, a wholly owned subsidiary which was incorporated in England and Wales. This Company acts as corporate trustee and holds funds on trust for the Foster Findlay Associates Employee Trust.

The Company owns 2,296,133 Ordinary shares of R$1 in Foster Findlay Associates Software E Servico Em Geociencia Limitada, a 99.99% subsidiary, which was incorporated in Rio de Janeiro, Brazil and sells software licences and associated consultancy and services.

The Company owns 120 ordinary shares of AUD$1 in Foster Findlay Associates Pty Ltd, a wholly owned subsidiary, which was incorporated in Western Australia and sells software licences and associated consultancy and services.

The Company owns 1,000,000 ordinary shares of RM1 in Foster Findlay Associates Sdn Bhd, a wholly owned subsidiary, which was incorporated in Malaysia and sells software licences and associated consultancy and services.

The Company owns 99 fixed shares of MXN10,000 and 33 variable shares of MXN10,000 in Foster Findlay Associates S.A de C.V, a 99% subsidiary, which was incorporated in Mexico and was dormant in the year. The value of this investment was considered to be £nil as at 31 December 2017 and the cost of the investment of £50,768 has been written off in full in the financial statements.

The Company has reviewed the carrying value of the investments in Group undertakings of £587,153 shown above and the recoverability of the amounts due from these Group undertakings of £3,494,935 included in debtors in note 8 to the financial statements. Operating costs have been reduced in these subsidiaries and trading is expected to continue to improve in line with market conditions during 2018. Although some uncertainty remains about these values, the Company is confident that the full value of the investments and the amounts due to it from the subsidiaries will be recovered.

7. Investments *(continued)*

Details of the subsidiary companies are shown below:

Aggregate capital and reserves

	2017 £	2016 £
GeoTeric Limited *(Dormant)*	1	1
Foster Findlay Associates Incorporated	(1,626,863)	(1,566,767)
Foster Findlay Associates (EBT) Limited	1	1
Foster Findlay Associates Software e Servico em Geociencia Limitada	(404,566)	(401,183)
Foster Findlay Associates Pty Limited	(573,971)	(360,669)
Foster Findlay Associates Sdn Bhd	(411,419)	(208,217)
Foster Findlay Associates S.A de C.V	15,331	15,331

(Loss) for the year

GeoTeric Limited (Dormant)	-	-
Foster Findlay Associates Incorporated	(211,405)	(234,324)
Foster Findlay Associates (EBT) Limited	-	-
Foster Findlay Associates Software e Servico em Geociencia Limitada	(51,459)	(7,727)
Foster Findlay Associates Pty Limited	(227,989)	(89,340)
Foster Findlay Associates Sdn Bhd	(196,962)	(130,662)
Foster Findlay Associates S.A de C.V	-	(23,150)

8. Debtors

	2017 £	2016 £
Trade debtors	1,079,961	661,240
Amounts owed by Group undertakings	3,494,935	3,063,539
Prepayments and accrued income	140,257	178,295
Corporation tax repayable	-	370,319
Other debtors	61,264	62,009
	4,776,417	4,335,402

9. Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	90,573	130,074
Accruals and deferred income	1,655,172	1,605,048
Social security and other taxes	69,131	59,701
Value added tax	30,717	18,685
Obligations under finance lease agreements	2,550	18,012
Other creditors	18,877	16,624
	1,867,020	1,848,144

The above liabilities for finance lease agreements are secured over the assets to which they relate.

10. Creditors: amounts falling due after more than one year

	2017	2016
	£	£
Obligations under finance lease agreements	–	2,551

The above liabilities for finance lease agreements are secured over the assets to which they relate.

11. Share-based payments

The Company has a share option scheme for certain employees (including a Director). The options expire if unexercised after a period of 10 years from the date of grant. Options are forfeited if the employee leaves the Company before the options are exercised.

In the year ended 31 December 2017, options were granted to employees over "C" Ordinary shares as follows:

Date of grant	Number of options	Last exercise date	Price per share
11 September 2017	196,000	11 September 2027	£0.01

Movements in employee share options over Foster Findlay Associates Limited "C" Ordinary shares were as follows:

	'C' Ordinary No
Outstanding as at 1 January 2017	1,621,000
Granted during the year	196,000
Expired during the year	(66,000)
Outstanding as at 31 December 2017	1,751,000
Weighted average exercise price per share	£0.01

There were no employees who received share options whilst serving as a Director under the Company's share option scheme during the year (2016: 1).

Financial Reporting Standard 102 requires the recognition of the share-based payments at fair value at the date of the grant to the extent that it is expected that the option will be exercised. The Directors have considered the fair value of the options using a Black-Scholes pricing model and have concluded that the charge for the year would not be material and has not been recognised.

12. Called up share capital

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
Ordinary shares of £0.01 each	277,658	2,777	277,658	2,777
"B" Ordinary shares of £1 each	10,056,514	10,056,514	10,056,514	10,056,514
	10,334,172	10,059,291	10,334,172	10,059,291

The respective share rights are as defined and described in the Articles of Association adopted by shareholder resolution on 15 November 2016.

Share options, other than those to employees disclosed in note 11, were as follows:

	'C' Ordinary No.
Outstanding as at 31 December 2016 and 31 December 2017	331,000
Weighted average exercise price per share	£0.47

13. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	£	£
Not later than 1 year	172,735	207,805
Later than 1 year and not later than 5 years	231,997	404,729
	404,732	612,534

14. Contingencies

The Company intends to make claims for research and development tax credits for the year ended 31 December 2017, which will result in income of approximately £190,000. This income is not provided in the accounts until the claims are actually made, in accordance with the accounting policy stated in note 3.

15. Summary audit opinion

The auditor's report for the year dated 26 March 2018 was unqualified. However, the auditor drew attention to the following by way of emphasis.

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 11 to the financial statements concerning the uncertainty regarding the value of the Company's investments in and the amounts due from Group undertakings. The financial statements do not include provision for any impairment or amount that the Company is subsequently unable to recover.

The senior statutory auditor was David Gold BA FCA, for and on behalf of Joseph Miller & Co.

16. Related party transactions

The accounts do not include disclosure between the Company and entities that are part of the Foster Findlay Limited Group of companies. As a parent company which has 100% control over the subsidiary, it is exempt from the requirement to disclose such transactions under paragraph 33.1A of Financial Reporting Standard 102.