

Registered number: 02694092

Phusion IM Limited

Filleted financial statements

31 December 2016



Phusion IM Limited

Company information

Directors	A J Hayward B H Jobling S J Pearson M T Pellew
Company secretary	A J Hayward
Registered number	02694092
Registered office	16 Earls Nook Belasis Hall Technology Park Billingham Teesside TS23 4EF
Accountants	UNW LLP Chartered Accountants Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE
Bankers	HSBC Team Valley Kingsway North Team Valley Trading Estate Gateshead Tyne and Wear NE11 0BE

Phusion IM Limited

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Phusion IM Limited

Directors' report Year ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Results and dividends

The loss for the year, after taxation, amounted to £638,959 (2015: £509,395 profit)

Dividends totalling £nil (2015: £215,000) were paid in the year.

Business review

2016 was a pivotal year for Phusion as the business continued to implement its repositioning strategy initiated in late 2014. Phusion's strategy is to disrupt the market by offering a lower cost, flexible and fast to implement range of engineering information management solutions, including a SaaS Engineering Data Warehouse to challenge the larger players in market.

Throughout the year, Phusion continued to restructure and resize the business to meet current and future requirements. This involved changing the mix of personnel, reducing the emphasis on services and increasing the proportion of software development, IT services and technical specialists. This involved some significant, one off redundancy costs.

Phusion Onsite, a mobile data collection application, was launched in 2016 and rapidly gained some traction in the market place with a number of early adopters from sectors including Oil & Gas, Facilities and Petrochem.

The business continued to work with longstanding Blue Chip clients such as BP, Chevron and INPEX although increasing pressure to reduce supply chain costs within oil and gas meant that Phusion, like many other suppliers, was often put under pressure mid contract to further reduce costs. This involved a mixture of scope reduction and cost reduction. In some cases the scope reduction was implemented at very short notice, leaving the business with unutilised resources and reduced margins.

During 2016, Phusion continued to invest heavily in R&D of its IM software and also started to investigate and develop solutions for online trading and e-commerce for complex configurable products.

Phusion owns the high specification 9,500 square foot property it uses as its UK HQ and main operating centre. Conscious that commercial property prices have significantly fallen on Teesside over the last 2 years, the Phusion board made the decision to have the building revalued and adjust the balance sheet so the value of the building is properly represented.

To protect margins, in 2015 Phusion hedged currency during a time of a rapidly weakening Australian Dollar. During 2016 the Australian Dollar started to strengthen and soon surpassed the rate at which Phusion hedged, resulting in significant currency adjustments which further reduced the balance sheet.

In 2016 Phusion engaged an experienced Business Development Director to focus on developing distribution channels and new business. By the end of 2016 Phusion had developed relationships with a number of partners across the globe including the Middle East, Asia, Europe and Australia. As a direct result of Business Development efforts in the Northern and Southern hemisphere, Phusion's sales pipeline was the richest it had been in the history of the business, with opportunities with new and existing clients across the globe.

Like many suppliers to the oil and gas sector, 2016 was a challenging year for Phusion. The board are encouraged with the traction on new software, especially mobile solutions, and the increasing range of industry sectors the business is now operating in. After a period of restructuring and heavy investment the board of directors are confident that Phusion is now the Right Size, with the Right Products and the Right People to disrupt the market and become a significant player in the IM Software Sector.

Phusion IM Limited

Directors' report (continued) Year ended 31 December 2016

Directors

The directors who served during the year were:

A J Hayward
B H Jobling
S J Pearson
M T Pellew

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 22 May 2017 and signed on its behalf by.



A J Hayward
Director

Phusion IM Limited

Consolidated balance sheet At 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	5	869,956	1,141,439
Current assets			
Debtors	7	1,267,856	1,093,089
Cash at bank and in hand	8	429,249	1,041,404
		<u>1,697,105</u>	<u>2,134,493</u>
Creditors: amounts falling due within one year	9	(1,117,780)	(1,012,046)
Net current assets		<u>579,325</u>	<u>1,122,447</u>
Total assets less current liabilities		<u>1,449,281</u>	<u>2,263,886</u>
Creditors: amounts falling due after more than one-year	10	(230,731)	(453,368)
Government grants		-	(6,750)
Net assets		<u><u>1,218,550</u></u>	<u><u>1,803,768</u></u>
Capital and reserves			
Called up share capital		60	60
Capital redemption reserve		40	40
Foreign exchange reserve		141,545	69,455
Profit and loss account		1,076,905	1,734,213
Total equity		<u><u>1,218,550</u></u>	<u><u>1,803,768</u></u>

The directors consider that the company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statement. The option not to file the consolidated profit and loss account has been taken.

The financial statement have been prepared in accordance with the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statement were approved and authorised for issue by the board and were signed on its behalf on 22 May 2017.



A J Hayward
Director

Phusion IM Limited

Company balance sheet At 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	5	826,052	1,094,288
Investments	6	480	480
		<u>826,532</u>	<u>1,094,768</u>
Current assets			
Debtors: amounts falling due within one year	7	546,023	1,118,244
Cash at bank and in hand	8	414,077	605,683
		<u>960,100</u>	<u>1,723,927</u>
Creditors: amounts falling due within one year	9	(760,168)	(671,989)
Net current assets		<u>199,932</u>	<u>1,051,938</u>
Total assets less current liabilities		<u>1,026,464</u>	<u>2,146,706</u>
Creditors: amounts falling due after more than one year	10	(230,730)	(453,368)
Government grants		-	(6,750)
Net assets		<u><u>795,734</u></u>	<u><u>1,686,588</u></u>
Capital and reserves			
Called up share capital		60	60
Capital redemption reserve		40	40
Profit and loss account		795,634	1,686,488
Total equity		<u><u>795,734</u></u>	<u><u>1,686,588</u></u>

Phusion IM Limited

Company balance sheet (continued) At 31 December 2016

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 477 of the Companies Act 2006 and members have not required the company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statement.

The financial statements have been prepared in accordance with the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statement were approved and authorised for issue by the board and were signed on its behalf on 22 May 2017.



A J Hayward
Director

Company registered number: 02694092

The notes on pages 6 to 16 form part of these financial statements.

Phusion IM Limited

Notes to the financial statements Year ended 31 December 2016

1. General information

Phusion IM Limited ("the company") and its subsidiary (together "the group") provide SaaS solutions, services and consultancy to the process sector to manage engineering information throughout the UK and Australia.

The company is a private company limited by shares and is incorporated in England. The address of its registered office is noted on the company information page.

2. Statement of compliance

The group and individual financial statements of Phusion IM Limited have been prepared in compliance with United Kingdom Accounting Standards, including Section 1A of Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

3.1 Basis of preparation of financial statements

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the group accounting policies.

3.2 Basis of consolidation

The group consolidated financial statements include the financial statements of the company and its subsidiary undertaking made up to 31 December 2016.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3.3 Going concern

The group meets its day-to-day working capital requirements through its retained cash balance and bank facilities. The current economic conditions continue to create uncertainty over the level of demand for the group's products and services and the availability of bank finance for the foreseeable future. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. The group therefore continues to adopt the going concern basis in preparing its financial statements.

Phusion IM Limited

Notes to the financial statements Year ended 31 December 2016

3. Accounting policies (continued)

3.4 Turnover

Turnover is measured at the fair value of the consideration received or receivable net of VAT and trade discounts.

When the outcome of a transaction can be estimated reliably, turnover from services provided is recognised by reference to the stage of completion at the balance sheet date. Where the outcome cannot be measured reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

3.5 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimate lives.

Depreciation is provided on the following bases:

Freehold property	-	2% straight line
Fixtures and fittings	-	33% straight line and reducing balance

3.6 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

3.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

3.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, where applicable, are shown with borrowings in current liabilities.

3.9 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash

Phusion IM Limited

Notes to the financial statements Year ended 31 December 2016

3. Accounting policies (continued)

3.9 Financial instruments (continued)

flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

3.10 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the consolidated statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the consolidated statement of comprehensive income in the same period as the related expenditure.

3.11 Foreign currency translation

The group's presentational currency is pound sterling. The parent company, Phusion IM Limited's functional currency is pound sterling and the subsidiary, Pearson-Harper PTY Limited's functional currency is the Australian Dollar.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

On consolidation, the results of overseas operations are translated into pound sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

3.12 Finance costs

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Phusion IM Limited

Notes to the financial statements Year ended 31 December 2016

3. Accounting policies (continued)

3.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3.14 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

3.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the consolidated statement of comprehensive income in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

Phusion IM Limited

Notes to the financial statements Year ended 31 December 2016

3. Accounting policies (continued)

3.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

4. Employees

The average number of employees, including directors during the year was 45 (2015: 77).

Phusion IM Limited

Notes to the financial statements Year ended 31 December 2016

5. Tangible fixed assets

Group

	Freehold property £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 January 2016	1,119,785	942,478	2,062,263
Additions	-	30,261	30,261
Disposals	-	(2,006)	(2,006)
At 31 December 2016	<u>1,119,785</u>	<u>970,733</u>	<u>2,090,518</u>
Depreciation			
At 1 January 2016	39,762	881,062	920,824
Charge for the period on owned assets	19,881	21,721	41,602
Disposals	-	(2,006)	(2,006)
Impairment charge	260,142	-	260,142
At 31 December 2016	<u>319,785</u>	<u>900,777</u>	<u>1,220,562</u>
Net book value			
At 31 December 2016	<u>800,000</u>	<u>69,956</u>	<u>869,956</u>
At 31 December 2015	<u>1,080,023</u>	<u>61,416</u>	<u>1,141,439</u>

Phusion IM Limited

Notes to the financial statements Year ended 31 December 2016

5. Tangible fixed assets (continued)

Company

	Freehold property £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 January 2016	1,119,785	843,600	1,963,385
Additions	-	30,261	30,261
At 31 December 2016	<u>1,119,785</u>	<u>873,861</u>	<u>1,993,646</u>
Depreciation			
At 1 January 2016	39,762	829,335	869,097
Charge for the period on owned assets	19,881	18,474	38,355
Impairment charge	260,142	-	260,142
At 31 December 2016	<u>319,785</u>	<u>847,809</u>	<u>1,167,594</u>
Net book value			
At 31 December 2016	<u>800,000</u>	<u>26,052</u>	<u>826,052</u>
At 31 December 2015	<u>1,080,023</u>	<u>14,265</u>	<u>1,094,288</u>

The impairment charge of £260,142 shown in the accounts to the 31 December 2016 follows the company's directors receipt of independent valuations of the current market worth of fixed assets namely property owned by the company.

Phusion IM Limited

Notes to the financial statements Year ended 31 December 2016

6. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2016	480
At 31 December 2016	480
Net book value	
At 31 December 2016	480
At 31 December 2015	480

The company owns 100% of the ordinary share capital in Pearson-Harper PTY Limited. The subsidiary's country of incorporation is Australia and their principal activity is to provide services and consultancy to the process sector to manage engineering information.

7. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	565,253	682,819	306,275	306,452
Amounts owed by group undertakings	-	-	-	675,656
Other debtors	702,603	381,249	239,748	107,115
Deferred taxation	-	29,021	-	29,021
	<u>1,267,856</u>	<u>1,093,089</u>	<u>546,023</u>	<u>1,118,244</u>

Phusion IM Limited

Notes to the financial statements Year ended 31 December 2016

8. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	429,249	1,041,404	414,077	605,683
Less: bank overdrafts	(2,177)	(3,534)	-	-
	<u>427,072</u>	<u>1,037,870</u>	<u>414,077</u>	<u>605,683</u>

9. Creditors: amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank overdrafts	2,177	3,534	-	-
Bank loans	215,942	199,791	215,942	199,791
Trade creditors	35,780	61,236	30,556	59,460
Amounts owed to group undertakings	-	-	251,986	-
Corporation tax	-	29,984	-	29,984
Other taxation and social security	621,936	384,079	50,496	65,376
Other creditors	223,040	324,505	204,133	308,461
Accruals and deferred income	18,905	8,917	7,055	8,917
	<u>1,117,780</u>	<u>1,012,046</u>	<u>760,168</u>	<u>671,989</u>

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

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank loans	<u>230,731</u>	<u>453,368</u>	<u>230,730</u>	<u>453,368</u>

Phusion IM Limited

Notes to the financial statements Year ended 31 December 2016

11. Loans

Bank loans to the value of £174,452 (2015: £341,488), £nil of which is due in more than one year, are on a capital repayment basis with an expected end date of 31 December 2017. The loan is on a capital repayment basis with an interest rate of 3.95% above HSBC Holdings plc's Sterling base rate. This loan is secured as follows:

A debenture comprising fixed and floating charges over all the assets and undertaking of Phusion IM Limited including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital both present and future.

A mortgage to the value of £272,220 (2015: £311,671), £230,730 of which is due in more than one year, is secured on the group's property. The mortgage is on a capital repayment basis and is expected to be repaid by 31 December 2033 with an interest rate of 3.65% above HSBC Holdings plc's Sterling base rate.

An analysis of secured amounts payable is shown below:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Amounts falling due within one year				
Bank loans	215,942	199,791	215,942	199,791
Amounts falling due 1-2 years				
Bank loans	-	179,358	-	179,358
Amounts falling due 2-5 years				
Bank loans	183,222	274,010	183,222	274,010
Amounts falling due after more than 5 years				
Bank loans	47,508	-	47,508	-
	<u>446,672</u>	<u>653,159</u>	<u>446,672</u>	<u>653,159</u>

12. Commitments under operating leases

At 31 December 2016 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Not later than 1 year	39,833	39,833	39,833	39,833
Later than 1 year and not later than 5 years	70,512	105,768	70,512	105,768
	<u>110,345</u>	<u>145,601</u>	<u>110,345</u>	<u>145,601</u>

Phusion IM Limited

Notes to the financial statements Year ended 31 December 2016

13. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £84,741 (2015: £140,303). £5,691 (2015: £7,854) is payable to the fund at the balance sheet date and is included within creditors.

14. Related party transactions

At the year end, loan accounts in respect of directors amounted to £185,067 (2015: £300,088) and are included within other creditors. The loan account is interest free and repayable within one year.

During the year ended 31 December 2015, a dividend was paid to S Pearson totalling £215,000.

The ultimate controlling party is S Pearson by virtue of his majority shareholding.