

IBS Software Europe Limited

Annual report and financial statements

Registered number 4484344

31 March 2017

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IBS Software Europe Limited

Annual report and financial statements
31 March 2017

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IBS Software Europe Limited

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31 March 2017

Company Information

Directors

Valayil Korath Mathews
Rajiv Shah
Pietro Cefai

Secretary

Vikash Sureka

Registered Office:

Venture House, 2 Arlington Square
Downshire Way, Bracknell, Berkshire,
RG12 1WA, United Kingdom

Registered number 4484344

Auditor

KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD

Bankers

The Hong Kong and Shanghai Banking Corporation Ltd.
Standard Chartered Bank

Solicitor

Shoosmiths LLP

Strategic report

Principal activities

The Company is a leading provider of industry-specific, mission-critical software solutions and services solutions for on-premise and cloud deployments to the global travel, air transport, travel, cruise and hospitality, oil and gas logistics industries. The Company's offerings include software product licensing and implementation, Software as a Service (SaaS), business & technology consulting, and domain specific high-end application development, to clients worldwide. The Company's core strength is its highly motivated and empowered staff, their domain knowledge, expertise and experience in state-of-the-art technologies and the process competence to deliver software products and solutions to the travel, transportation and logistics industry. The directors anticipate building on these strengths in future years.

Principal risks and uncertainties

The Company's operations expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance.

The primary market risk to the Company is foreign exchange risk, through the volatility of the US Dollar and the Euro. This risk is managed by matching costs to income earned in the same currency wherever possible. Where relevant, cash is translated to sterling as soon as practicable rather than being held in a foreign currency.

The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers. The demographics of the customer including the default risk of the industry and country in which the customer operates also has an influence on credit risk assessment. The Company has helped mitigate risk by requesting appropriate credit checks on potential customers before sales are made to chase debts due, on a timely basis.

The directors minimise liquidity risks by regularly monitoring the working capital funds available to the Company and ensuring that the company has sufficient funds for its day to day operations. The Company maintains cash and bank deposits in readily accessible bank accounts, which earn interest at market rate. The Company can also request short-medium term funding from its parent company, as and when required.

The Company follows the group's risk management assessment and policies and processes which are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor such risks and compliance.

On June 23, 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the E.U., commonly referred to as "Brexit". As a result of the referendum, it is expected that the British government will begin negotiating the terms of the U.K.'s future relationship with the E.U. Although it is unknown what those terms will be, it is possible that there will be greater restrictions on imports and exports between the U.K. and E.U. countries and increased regulatory complexities. The Company has generated 69% (2016: 79%) of its total revenue from Europe. The restriction or regulatory changes may affect our operations and financial results. The directors continue to closely monitor these developments.

Key performance indicators**Turnover**

We measure the growth in Turnover as one of the key performance indicators as the Company constitutes approximately 20-25% of the Group's turnover. The growth in the turnover of the Company gives predictability to the revenue forecast and also entails confidence to continually invest in additional sales and marketing capacity.

Gross profit and profit before taxation

We believe that operating profit as a financial measure provides a consistent and comparable view of our past operational performance.

The company's key performance indicators are given as below:

	2017 £	2016 £
Turnover	20,057,197	20,688,664
Operating profit and profit before taxation	1,350,763	1,251,247

Review of business

The turnover of the company has slightly decreased by 3%, mainly due to completion of product implementation of Lufthansa Cargo and Turkish Airlines during the previous year which has been partially offset by revenue coming from new customers like Sun Express Gunes Ekspres Havacilik A. S. and LifeMiles B.V. . However, Lufthansa Cargo AG remains the highest contributor in terms of the turnover followed by Tuifly GMBH. The Company and the industry in which the company operates has started moving from contracting on on-premise model to Software as a SaaS model which gives the ability to the company to grow along with the growth of the customers.

The profit before taxation has increased by 8% mainly due to reduction of overhead cost.

Additional highlights are as follows:

- British Airways continue to be the major customer for iFlightcrew product.
- The company continued to operate in both Italy and Netherlands.

In future, the company expects to grow particularly due to new business opportunities coming through in Europe regions with existing customers and also with new customers.

By order of the board

P Cefai
Director

Date: 14 December 2017

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Directors' report

Directors

The directors who held office during the year were as follows:

P Cefai
M Valayil Korath
R Shah

Results and dividends

The profit and loss account is set out on page 7 and shows the profit for the year.

The directors do not recommend the payment of a final ordinary dividend (2016 - £Nil).

Post balance sheet events

There are no post balance sheet events that require disclosure in the financial statements.

Financial Instruments

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk which has been included in the Strategic Report on page 1.

Research and development

No research and development expenditure was incurred during the year by the company.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Auditor

KPMG LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board

P Cefai
Director

Registered office
Venture House, 2 Arlington
Square, Downshire Way,
Bracknell, Berkshire-RG12 1WA
United Kingdom

Date: 14 December 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IBS SOFTWARE EUROPE LIMITED

We have audited the financial statements of IBS Software Europe Limited for the year ended 31 March 2017 set out on pages 6 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Robert Fitzpatrick (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

21 December 2017

IBS Software Europe Limited

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**Profit and Loss Account
for the year ended 31 March**

	Note	2017 £	2016 £
Turnover	2	20,109,649	20,688,664
Cost of sales		(15,719,989)	(18,669,871)
Gross profit		4,389,660	2,018,793
Administrative expenses		(3,038,897)	(767,546)
Profit before taxation	3	1,350,763	1,251,247
Tax on profit	6	(100,122)	(685,919)
Profit for the financial year and other comprehensive income		1,250,641	565,328

All amounts relate to continuing activities.

The notes on pages 9 to 22 form part of these financial statements.

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Balance sheet at 31 March

	Note		2017 £	2016 £
Fixed assets				
Intangible assets	7		-	-
Tangible assets	8		924,423	164,650
Investments	9		147,891	147,891
			<u>1,072,314</u>	<u>312,541</u>
Current assets				
Debtors	10	23,023,069	12,167,379	
Cash at bank and in hand		685,024	5,155,462	
		<u>23,708,093</u>	<u>17,322,841</u>	
Creditors: amounts falling due within one year	11	21,042,600	15,148,216	
			<u>2,665,493</u>	<u>2,174,625</u>
Net current assets				
Total assets less current liabilities			<u>3,737,807</u>	<u>2,487,166</u>
Capital and reserves				
Called up share capital	14		166,334	166,334
Profit and loss account			3,571,473	2,320,832
Shareholder's funds			<u>3,737,807</u>	<u>2,487,166</u>

The financial statements were approved by the board of directors on 14 December 2017 and were signed on its behalf by:

P Cefai
Director
Company registered number: 4484344

The notes on pages 9 to 22 form part of these financial statements.

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Statement of Change in Equity

	Called up Share Capital	Profit and loss account	Total equity
Balance at 1 April 2015	166,334	1,755,504	1,921,838
Total comprehensive income for the period			
Profit or loss	-	565,328	565,328
Balance at 31 March 2016	166,334	2,320,832	2,487,166

	Called up Share Capital	Profit and loss account	Total equity
Balance at 1 April 2016	166,334	2,320,832	2,487,166
Total comprehensive income for the period			
Profit or loss	-	1,250,641	1,250,641
Balance at 31 March 2017	166,334	3,571,473	3,737,807

The notes on pages 9 to 22 form part of these financial statements.

Notes

(forming part of financial statements)

1. Accounting policies

IBS Software Europe Limited (the "Company") is a company incorporated and domiciled in the England in the UK.

The directors have taken advantage of the exemption from preparing group financial statements conferred by section 401 of the Companies Act 2006, as the Company is a wholly owned and controlled subsidiary of IBS Software Services Private Limited, a non-EEA group, and the directors consider that the consolidated financial statements of IBS Software Services Private Limited, a company incorporated in India, comply with the requirements of section 401. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken

The Company's ultimate parent undertaking, IBS Software Pte. Ltd., incorporated in Singapore, includes the Company in its consolidated financial statements. The consolidated financial statements of IBS Software Pte. Ltd. are prepared in accordance with International Financial Reporting Standards and are available from the following web address, www.acra.gov.sg

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Notes (continued)
(forming part of financial statements)

1. Accounting policies (continued)

Measurement convention

The financial statements are prepared on the historical cost basis.

Functional and Presentation Currency

The financial statements are presented in Great Britain Pound ('GBP' or '£'), which is the functional currency of the Company.

Use of Judgments and estimates

The preparation of the financial statements in conformity with FRS 101 which requires management to make judgments, estimates and appropriate assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgments

The most significant effect in the consolidated financial statements of critical judgments, used by management in applying the accounting policies, is in the area of revenue recognition and income taxes. The details of these are provided below:

- **Revenue recognition:** For fixed price contracts, the Company uses the 'percentage of completion' principle using the input (cost expended) method to measure progress of project completion. Percentage of completion method of accounting relies on estimates of total expected contract revenue and costs. This method is followed when reasonable and dependable estimates of the revenue and costs, applicable to various elements of the contract can be made. Key factors that are reviewed in estimating the future costs to complete include estimates towards the future staff costs and other direct costs incidental to the project. The estimates are assessed continually and for the term of these contracts, as the financial reporting of these contracts depends on such estimates. The recognized revenue and profit are subject to revisions as the contract progresses to completion, based on changes to estimates. When estimates indicate that a loss could be incurred, then the Group makes a provision for such loss in the period the loss becomes probable.

Estimates

- **Recognition of deferred tax assets:** Availability of future taxable profit against which carry forward tax losses can be used.

Notes (continued)
(forming part of financial statements)

1. Accounting policies (continued)

Revenue recognition

The Company recognizes revenue when the significant terms of the arrangement are enforceable, which is generally in the form of signed binding contracts, license products and services have been delivered and the collectability is reasonably assured. The Company generates revenue from Software Product Business and Software Services Business.

If collectability is not probable, the Company concludes that the inflow of economic benefits associated with the transaction is not probable, and defers revenue recognition until the earlier of when collectability becomes probable or payment is received.

The Company accounts for out-of-pocket expenses reimbursed by customers as Software Product Business and Software Service Business revenue, depending on the nature of the service for which the out-of-pocket expenses were incurred.

The Company accounts for volume discounts and pricing incentives to customers by reducing the amount of revenue recognized at the time of sale. The revenues of the Group are shown net of sales tax, value added tax, service tax and applicable discounts and allowances.

Software Product Business

Revenue from on-premise model contracts are generally multiple-element arrangements. Under this model the Company mostly enters into contracts for software license arrangements along with implementation and maintenance services. Arrangements to deliver software products, under on premise model generally have three elements: license, implementation services and maintenance services. In the absence of standalone value of software license to the customer, the entire arrangement fee for license and implementation is recognized using the percentage-of-completion method as the implementation is performed. The Company follows residual method approach for allocating the values to the various components of the multiple-element arrangements.

As maintenance is the only undelivered element in the contract, objective and reliable fair value of maintenance service is determined based on the maintenance renewal rate with customer or average maintenance rate charged to all the customers during the year.

Percentage of completion is determined based on contract costs incurred as a percentage of total estimated contract costs required to complete the project. Provision for estimated losses, if any, on incomplete contracts are recorded in the year in which such losses become probable based on current contract estimates.

Notes (continued)
(forming part of financial statements)

1. Accounting policies (continued)

Revenue recognition (continued)

Maintenance revenue represents fees from providing customers with unspecified future software updates, minor upgrades, enhancements and technical product support for an initial term of the contract. The Company's performance obligation is to provide unspecified updates, upgrades and enhancements on a when-and-if available basis. The Company does not separately sell technical product support or unspecified software upgrades, updates, and enhancements.

Under SaaS contract model, the Company charges its customer based on the number of transactions booked or time based usage of the software products. Revenue is recorded based on the specific transaction pricing as and when the services are rendered. The Company defers the implementation revenue (upfront charges) over the expected term of the SaaS contract as implementation does not have standalone value to the customer. The related costs of implementation are also deferred to the extent of revenue deferral.

Revenue from other fixed price software related services is also recognized using the 'percentage of completion' method and revenue from other services arrangements on time-and-material is recognized as the related services are performed. Percentage of completion is determined based on contract costs incurred as a percentage of total estimated contract costs required to complete the project.

Software Service Business

Software Services Business consists of fees for industry specific, specialized, technology services to its customers in the global travel, transportation and logistics industry. Generally, the Company offers software services either on a fixed fee model or on a time and material model.

Under the fixed fee model, the Company agrees the scope of work and total fee for the services with the customer in advance and is paid on a milestone basis. Revenue from fixed price services arrangements is recognized using the 'percentage of completion' method. Percentage of completion is determined based on contract costs incurred as a percentage of total estimated contract costs required to complete the project.

Under the time and material model, the revenue is recognized as the related services are performed.

'Unbilled revenue' represents revenue recognized in excess of billing as at the end of the reporting period. 'Deferred revenue' represents billing in excess of revenue recognized.

Notes (continued)
(forming part of financial statements)

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a written down value basis over the estimated useful lives of each part of an item of tangible fixed assets. It is calculated at the following rates:

Leasehold land and buildings	- 33%
Computer equipment	- 33%

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes (continued)
(forming part of financial statements)

1. Accounting policies (continued)

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors: Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors: Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in equity: Investments in subsidiaries are carried at cost less impairment.

Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets, typically 3-10 years in which the Company expects to benefit. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Expenditure on maintaining software is written off as incurred.

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Fixed asset investments

Fixed asset investments are shown at cost less any provision for impairment.

Notes (continued)
(forming part of financial statements)

1. Accounting policies (continued)

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes (continued)
(forming part of financial statements)

1. Accounting policies (continued)

Employee benefits

Pension costs

The company operates a defined contribution stakeholder pension scheme. Contributions to the Company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable. The assets of the scheme are held separately from those of the company in an independently administered fund.

2 Turnover

	2017 £	2016 £
Analysis by geographical market:		
United Kingdom	2,095,213	2,414,675
Europe	13,789,035	16,436,860
Rest of the world	4,225,401	1,837,129
	<u>20,109,649</u>	<u>20,688,664</u>

Turnover is wholly attributable to the principal activity of the company.

3 Expenses and auditor's remuneration

	2017 £	2016 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	345,203	16,976
Hire of other assets - operating leases	159,343	48,356
Fees payable to the Company's auditor	15,000	25,000
Foreign exchange loss	644,360	303,935
	<u>1,163,906</u>	<u>494,267</u>

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Notes (continued)

(forming part of financial statements)

4 Staff numbers and costs

	2017 £	2016 £
Staff costs (including directors) consist of:		
Wages and salaries	1,189,681	1,522,261
Social security costs	180,133	131,309
Other pension costs	32,642	59,040
	<u>1,402,456</u>	<u>1,712,610</u>

The average number of employees (including directors) during the year was as follows:

	Number	Number
Production	12	7
Sales	5	6
Administrative	2	2
	<u>19</u>	<u>15</u>

5 Directors' remuneration

	2017 £	2016 £
Directors' emoluments	<u>235,514</u>	<u>165,789</u>

The total amount payable to the highest paid director in respect of emoluments was £235,514 (2016 - £165,789). There were no pension contributions in respect of the director.

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Notes (continued)
(forming part of financial statements)

6 Tax on profit

	2017 £	2016 £
Current tax on income for the year	331,800	247,650
Adjustments in respect of prior periods	56,866	-
Double tax relief	-	(70,544)
<i>Foreign tax</i>		
Current tax on income for the period	26,452	352,720
Adjustments in respect of prior periods	(349,324)	153,650
Total current tax	65,794	683,476
<i>Deferred tax</i>		
Origination and reversal of temporary differences	5,037	2,442
Adjustments in respect of prior years	31,270	-
Effect of changes in tax rates	(1,979)	-
Total taxation included in profit and loss for the period	100,122	685,919

The current tax assessed for the year is lower than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

Reconciliation of effective tax rate	2017 £	2016 £
Profit before taxation	1,350,763	1,251,247
Tax at the standard rate of corporation tax in the UK of 20% (2016 - 20%)	270,153	250,250
Effects of:		
Expenses not deductible for tax purposes	71,975	1,326
Foreign tax expense less relief claimed	21,162	435,826
Effect of changes in tax rates	(1,979)	(1,483)
Adjustments in respect of prior years	(261,189)	-
Total tax charge for year	100,122	685,919

Factors affecting future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 December 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2017 has been calculated based on these rates.

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7 Intangible assets

	Development Costs £
<i>Cost</i>	
At 1 April 2016 and 31 March 2017	819,747
<i>Amortisation</i>	
At 1 April 2016	819,747
Provided for the year	-
At 31 March 2017	819,747
<i>Net book value</i>	
At 31 March 2017	-
At 31 March 2016	-

In the previous years, the directors reappraised the useful life of development costs capitalised and concluded that a life of 3 years was appropriate. The costs were previously amortised over 10 years.

8 Tangible assets

	Capital work in progress £	Leasehold land and Buildings £	Computer Equipment £	Total £
<i>Cost</i>				
At 1 April 2016	160,587	263,267	372,960	796,814
Additions	-	-	1,104,976	1,104,976
Transfer	(154,155)	-	154,155	(-)
At 31 March 2017	6,432	263,267	1,632,091	1,901,790
<i>Depreciation</i>				
At 1 April 2016	-	263,267	368,897	632,164
Provided for the year	-	-	345,203	345,203
At 31 March 2017	-	263,267	714,100	977,367
<i>Net book value</i>				
At 31 March 2017	6,432	-	917,991	924,423
At 31 March 2016	160,587	-	4,063	164,650

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9 Investments

**Group
Undertakings
£**

Cost

At 1 April 2016 and 31 March 2017

147,891

Subsidiary undertakings, associated undertakings and other investments.

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

	Country of registration and incorporation	Proportion of voting rights and ordinary share capital held	Registered Address	Nature of business
<i>Subsidiary undertakings</i>				
IBS Software Services GmbH	Germany	100%	c/o Constantin GmbH Neue Börsenstraße 660487 Frankfurt am Main	Software services
IBS Software Services Japan Co Ltd	Japan	100%	NBF Shibakoen Daimon-dori Bldg. 9F, 1-8-12 Shibakoen, Minato-ku, Tokyo 105-0011, Japan	Software services
IBS Shanghai Ltd	China	100%	2/F ShanghaiMart 2299 Yan An Road West Changning District Shanghai 200336, China	Software services

10 Debtors

	2017 £	2016 £
Trade debtors	4,852,374	2,807,083
Amounts owed by group undertakings	14,368,195	6,621,247
Other debtors	962,191	149,625
Prepayments	113,965	879,335
Amounts recoverable on contracts	2,726,344	1,703,728
Deferred tax asset (on tangible assets)	-	6,361
	23,023,069	12,167,379

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11 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	16,565	189,872
Amounts owed to group undertakings	13,459,112	11,776,285
Taxation and social security	512,273	454,775
Other creditors	-	2,183
Accruals	506,221	392,104
Deferred tax liabilities (on tangible assets)	27,967	-
Payments received on account	6,520,462	2,332,997
	<u>21,042,600</u>	<u>15,148,216</u>

12 Deferred taxation

	2017 £	2016 £
Balance at the beginning of the year	6,361	8,803
Charge to P&L in period	(34,238)	(2,442)
	<u>(27,967)</u>	<u>6,361</u>

13 Commitments under operating leases

The Company had total commitments under non-cancellable operating leases as set out below:

	Land and Buildings 2017 £	Land and Buildings 2016 £
Operating leases which is payable:		
Less than one year	38,095	70,330
Between one and five years	-	38,095
	<u>38,095</u>	<u>108,425</u>

Notes (continued)
(forming part of financial statements)

14 Share capital

	2017 £	2016 £
<i>Allotted called up and fully paid</i>		
166,334 ordinary shares of £1 each	166,334	166,334

The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

15 Ultimate controlling party

The Company is a subsidiary undertaking of IBS Software Pte. Ltd which is the ultimate parent company incorporated in Singapore and the registered office is in 30 Cecil Street, #10-05, Prudential Tower, Singapore 049712. The largest group in which the results of the Company are consolidated is headed by IBS Software Pte. Ltd, and the consolidated financial statements are available to the public and may be obtained from the location stated in note 1. The smallest group in which the results of the Company are consolidated is headed by IBS Software Services Private Limited incorporated in India and the registered office is in fifth floor, NILA, Technopark Campus, Trivandrum-695581, India. The consolidated financial statements are available to the public and may be obtained from www.mca.gov.in.

The ultimate controlling party is IBS Technology and Consulting Services FZ-LLC incorporated in United Arab Emirates and beneficially owned by Mr V K Mathews. The registered office is in ED14, Ground Floor, DOZ- 7, Dubai Outsource Zone, Dubai, U.A.E.