IBS Software Europe Limited

Annual report and financial statements

Registered number 4484344

For the year ended 31 March 2018

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Company Information

Directors
Valayil Korath Mathews
Rajiv Shah (Up to 31 December 2017)
Pietro Cefai (Up to 31 August 2018)

Secretary
Vikash Sureka

Registered Office:
No.207, 2 Arlington Square
Venture House, Downshire Way
Bracknell, RG12 1WA,
United Kingdom

Registered number 4484344

Auditor
Deloitte LLP
Union Plaza 1 Union Wynd Aberdeen
AB10 1SL

Bankers
Standard Chartered Bank

Solicitor
Shoosmiths LLP

Strategic report

Principal activities

IBS Software Europe Limited (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. IBS Software Europe Ltd together with parent and all its subsidiaries/ fellow subsidiaries is referred to as the "Group".

Principal risks, uncertainties and financial risk management

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.

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.

Brexit

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,the British government is 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 71% (2017: 69%) 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 and other income (operating profit)

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:

	2018	2017
	£	£
Turnover	22,003,817	20,109,649
Operating profit	2,085,682	1,350,763

Review of business

The turnover of the company has increased by 9%, mainly due to successful product implementation and go-live of Sun Express Gunes Ekspress Havacilik A. S. However, Lufthansa Cargo AG remains the highest contributor in terms of the turnover followed by Sun Express Gunes Ekspress Havacilik A.S. The Company and the industry in which the company operates has started moving from contracting on on-premise model to SaaS model which gives the ability to the company to grow along with the growth of the customers.

The operating profit has increased by 54% mainly due to change in the currency rates leading to foreign exchange losses of GBP 644,360 in previous year.

Future developments

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. The company expects the turnover to increase on account of below reasons:-

1. The company has recently and expects to open new branches in few geographies.
2. Go-live of few of the larger product implementations for few customers.

Approved by the Board and signed on its behalf

Valayil Korath Mathews
Director

Date: 29 January 2019

Directors' report

The directors present their annual report on the affairs of IBS Software Europe Limited (the "Company"), together with the audited financial statements for the year ended 31 March 2018.

Directors
The directors who held office during the year were as follows:
P Cefai (Upto 31 August 2018)
M Valayil Korath
R Shah (Upto 31 December 2017)

Results and dividends

The profit and loss account is set out on page 8 and shows the profit for the year.

The directors do not recommend the payment of a final ordinary dividend (2017 - £Nil).

Going Concern

The directors have completed a detailed review of current trading and are confident that the Company will continue to generate positive cash flows from trading activities for a minimum of 12 months from date of signing. The directors do not foresee any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting.

Post balance sheet events

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

Financial Risk Management

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 and forms a part of this report on page 1.

Research and development

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

Existence of branches outside the UK

The company has branches, as defined in s1046(3) of the Companies Act 2006, outside the UK as follows: Italy, Netherlands and Australia.

Political contributions

The Company has not made any political donations or incurred any political expenditure during the current and previous year.

Future Developments

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 and forms a part of this report on page 1.

Disclosure of Information to Auditor

Each of the persons who is a director at the date of approval of this report confirms that:
• so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
• the director has taken all the steps that he ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Pursuant to Section 487 of the Companies Act 2006, the erstwhile auditor KPMG LLP has resigned and Deloitte LLP has been appointed as the auditor to fill the vacancy arising. The auditor will be deemed to be re-appointed and Deloitte LLP will therefore continue in office.

Approved by the Board and signed on its behalf by:

Valayil Korath Mathews
Director

Registered office
No.207, 2 Arlington Square
Venture House, Downshire Way
Bracknell,RG12 1WA
United Kingdom

Date: 29 January 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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), 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 judgments and accounting estimates that are reasonable and prudent;

state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of IBS Software Europe Limited
Report on the audit of the financial statements

Opinion

In our opinion the financial statements of IBS Software Europe Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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

L Cowie

Lyn Cowie CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen, United Kingdom

Date: 29 January 2019

Profit and Loss Account
for the year ended 31 March, 2018

	Note	2018 £	2017 £
Turnover	2	**22,003,817**	20,109,649
Cost of sales		**(18,632,804)**	(15,719,989)
Gross profit		**3,371,013**	4,389,660
Other Income	3	**1,487,200**	-
Administrative expenses		**(1,285,331)**	(3,038,897)
Profit before taxation	4	**3,572,882**	1,350,763
Tax on profit	7	**(460,583)**	(100,122)
Profit for the financial year and other comprehensive income		**3,112,299**	1,250,641

All amounts relate to continuing activities. There are no comprehensive income or expenses other than the profit for the financial year and the preceding financial year. Accordingly, no separate statement of comprehensive income has been prepared.

The notes on pages 11 to 24 form part of these financial statements.

Balance sheet
at 31 March, 2018

	Note		2018		2017
			£		£
Fixed assets					
Intangible assets	8		-		-
Tangible assets	9		1,263,217		924,423
Investments	10		147,891		147,891
			1,411,108		1,072,314
Current assets					
Debtors	11	15,649,702		23,023,069	
Cash at bank and in hand		3,309,869		685,024	
		18,959,571		23,708,093	
Creditors: amounts falling due within one year	12	13,520,573		21,042,600	
Net current assets			5,438,998		2,665,493
Total assets less current liabilities			6,850,106		3,737,807
Capital and reserves					
Called up share capital	15		166,334		166,334
Profit and loss account			6,683,772		3,571,473
Shareholder's funds			6,850,106		3,737,807

The financial statements were approved by the board of directors on 29 January 2019 and were signed on its behalf by:

Valayil Korath Mathews
Director
Company registered number: 4484344

The notes on pages 11 to 24 form part of these financial statements.

Statement of Change in Equity

	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 year			
Profit for the year	-	1,250,641	1,250,641
Balance at 31 March 2017	**166,334**	**3,571,473**	**3,737,807**

	Called up Share Capital	Profit and loss account	Total equity
Balance at 1 April 2017	166,334	3,571,473	3,737,807
Total comprehensive income for the year			
Profit for the year	-	3,112,299	3,112,299
Balance at 31 March 2018	**166,334**	**6,683,772**	**6,850,106**

The notes on pages 11 to 24 form part of these financial statements.

Notes
(forming part of financial statements)

1. Accounting policies

IBS Software Europe Limited (the "Company") is a private company, limited by shares, incorporated in the United Kingdom under Companies Act 2006 and is registered in England and Wales. The address of the Company's registered address is shown on the Company Information page.The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 1.

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 Private Limited (Previously 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*(Refer Note 16)* These financial statements therefore present information about the Company as an individual undertaking and not about its group

The financial statements have been prepared by the company on a going concern basis. The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, the financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standards, in relation to:

- 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.

Adoption of new and revised Standards

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective during the year. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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 have been prepared on the going concern basis and are presented in Great Britain Pound ('GBP' or '£'), which is the functional currency of the Company.

Going Concern

The directors have completed a detailed review of current business and are confident that the Company will continue to generate positive cash flows from business activities for a minimum of 12 months from date of signing, and the Company will continue in operational existence by meeting their liabilities as they fall due for payment.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Company has a net profits of GBP 3,112,299 for the year ended 31 March 2018 and, as that date, current assets exceed current liabilities by GBP 6,850,106.

Critical accounting judgements and key sources of estimation uncertainty

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.

Critical judgements in applying the Company's accounting policies

The most significant effect in the financial statements of critical judgments, used by management in applying the accounting policies, is in the area of revenue recognition. 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.

Key sources of estimation uncertainty

We consider there to be no material key assumptions concerning the future or any other key sources of estimation uncertainty at the reporting period.

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 Company are shown net of sales tax, value added 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. The Company recognizes maintenance revenue on a straight line basis over the maintenance period.

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.

The Company does not plan to early adopt IFRS 15 and will adopt it on April 1, 2018. On completion of evaluation of the effect of adoption of IFRS 15, the Group has decided to use the cumulative catch-up transition method and accordingly comparatives for the year ending or ended March 31, 2018 and March 31, 2017 will not be retrospectively adjusted. The effect on adoption of IFRS 15 is expected to be insignificant.

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	-	3 years
Computer equipment	-	3 years

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

Capital work in progress are stated at cost.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency 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.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised immediately in profit or loss.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Receivables'. Receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Notes (continued)
(forming part of financial statements)

1. Accounting policies (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Dividend Income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

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.

Investment in Subsidiaries

Investment in Subsidiaries are accounted for at cost less any provision for impairment, where appropriate.

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 which are carried at fair value 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 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

	2018 £	2017 £
Analysis by geographical market:		
United Kingdom	**3,016,489**	2,095,213
Europe	**15,520,139**	13,789,035
Rest of the world	**3,467,189**	4,225,401
	22,003,817	20,109,649

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

	2018 £	2017 £
Software product business	**18,314,150**	16,411,487
Software service business	**3,689,667**	3,698,162
	22,003,817	20,109,649

3 Other Income

	2018 £	2017 £
Dividend Income from IBS Software Services Japan Co Ltd	**1,487,200**	-

Notes ***(continued)***
(forming part of financial statements

4 Operating profit and profit before taxation

This is arrived at after charging/(crediting):	2018 £	2017 £
Depreciation of tangible fixed assets	**448,210**	345,203
Hire of other assets - operating leases	**179,104**	159,343
Fees payable for the audit of the Company	**8,500**	15,000
Foreign exchange (gain)/loss	**(1,070,642)**	644,360

No non-audit fees was paid during the current and previous year by the company.

5 Staff numbers and costs

Staff costs (including directors) consist of:	2018 £	2017 £
Wages and salaries	**1,935,969**	1,189,681
Social security costs	**208,317**	180,133
Other pension costs	**25,484**	32,642
	2,169,770	1,402,456

The average number of employees (including directors) during the year was as follows:	Number	Number
Production	**14**	12
Sales	**4**	5
Administrative	**3**	2
	21	19

6 Directors' remuneration

	2018 £	2017 £
Directors' emoluments	**259,107**	235,514

The total amount payable to the highest paid director in respect of emoluments was £259,107 (2017 - £ 235,514). There were no pension contributions in respect of the director.

Notes *(continued)*
(forming part of financial statements)

7 Tax on profit

	2018 £	2017 £
Current tax on income for the year	401,599	331,800
Adjustments in respect of prior periods	(19,072)	56,866
Foreign tax		
Current tax on income for the period	-	26,452
Adjustments in respect of prior periods	79,468	(349,324)
Total current tax	461,995	65,794
Deferred tax		
Origination and reversal of temporary differences	(1,412)	5,037
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	460,583	100,122

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	2018 £	2017 £
Profit before taxation	3,572,882	1,350,763
Tax at the standard rate of corporation tax in the UK of 19% (2017 - 20%)	678,848	270,153
Effects of:		
Expenses not deductible for tax purposes	347	71,975
Foreign tax expense less relief claimed	3,560	21,162
Non taxable income	(282,568)	-
Effect of changes in tax rates	-	(1,979)
Adjustments in respect of prior years	60,396	(261,189)
Total tax charge for year	460,583	100,122

Finance Act No2 2015 included provisions to reduce the UK corporation tax rate to 19% with effect from 1 April 2017. Finance act 2016 introduced further legislation to reduce the main rate of corporation tax to 17% from 1 April 2020 and these rates have therefore been used to measure deferred tax assets and liabilities where applicable.

Notes *(continued)*
(forming part of financial statements)

8 Intangible assets

	Development Costs £
Cost	
At 1 April 2017	819,747
Additions	-
Disposals	-
At 31 March 2018	819,747
Amortisation	
At 1 April 2017	819,747
Provided for the year	-
At 31 March 2018	819,747
Net book value	
At 31 March 2018	-
At 31 March 2017	-

9 Tangible assets

	Capital work in progress £	Leasehold land and Buildings £	Computer Equipment £	Total £
Cost				
At 1 April 2017	6,432	263,267	1,632,091	1,901,790
Additions	64,964	-	722,041	787,005
Disposals	-	(263,267)	(31,045)	(294,312)
At 31 March 2018	71,396	-	2,323,087	2,394,483
Depreciation				
At 1 April 2017	-	263,267	714,100	977,367
Provided for the year	-	-	448,211	448,211
Disposals	-	(263,267)	(31,045)	(294,312)
At 31 March 2018	-	-	1,131,266	1,131,266
Net book value				
At 31 March 2018	71,396	-	1,191,821	1,263,217
At 31 March 2017	6,432	-	917,991	924,423

Notes *(continued)*
(forming part of financial statements)

10 Investments

	Group Undertakings £
Cost and net book value	
At 1 April 2017 and 31 March 2018	**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
Subsidiary undertakings				
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

11 Debtors

	2018 £	2017 £
Trade debtors	**2,169,620**	4,852,374
Amounts owed by other group undertakings*	**7,896,996**	14,246,529
Amounts owed by parent	**71,067**	-
Amounts owed by subsidiaries	**491,152**	121,666
Other debtors	**1,563,269**	962,191
Prepayments	**150,655**	113,965
Amounts recoverable on contracts	**3,306,943**	2,726,344
	15,649,702	23,023,069

* These are interest free unsecured balances arising on account of trade transaction and repayable on demand.

Notes ***(continued)***
(forming part of financial statements)

12 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	126,942	16,565
Amounts owed to group undertakings*	1,369,778	-
Amounts owed by parent	836,100	4,836,753
Amounts owed by subsidiaries	602,931	8,622,359
Taxation and social security	241,353	490,055
Other creditors	8,075	-
Accruals	918,899	508,221
Pension payables	29,965	22,218
Deferred tax liabilities(on tangible assets)	26,555	27,967
Payments received on account	9,359,975	6,520,462
	13,520,573	**21,042,600**

* These are interest free unsecured balances arising on account of trade transaction repayable on demand.

13 Deferred taxation

	2018 £	2017 £
Balance at the beginning of the year	(27,967)	6,361
Credit/(Charge) to P&L in period	1,412	(34,328)
Balance at the end of the year	**(26,555)**	**(27,967)**

The deferred tax relates to timing difference on depreciation and amortisation allowances as per GAAP and income tax.

14 Commitments under operating leases

The Company had total commitments for future minimum lease payments under non-cancellable operating leases as set out below:

	Land and Buildings 2018 £	Land and Buildings 2017 £
Operating leases which is payable:		
Less than one year	-	38,095
Between one and five years	-	-
	-	38,095

Notes *(continued)*
(forming part of financial statements)

15 Share capital

	2018	2017
	£	£
Allotted called up and fully paid		
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.

16 Ultimate controlling party

The Company is a subsidiary undertaking of IBS Software Pte. Ltd which is the intermediate parent company incorporated in Singapore and the registered office is in 8, Cross Street Units, #24-03/04, PWC Building, Singapore (048424). 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 Private Limited incorporated in India and the registered office is in 521-524, Nila, Technopark Campus, Trivandrum - 695581, Kerala. 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 21-05 Grosvenor Business Tower, TECOM Sector C, P.O Box 500157, Barsha heights, Dubai – UAE.