
INTELLECT DESIGN ARENA PTE. LTD.
(Company Registration No. 199701040R)

Financial Statements For The Year Ended March 31, 2019

Intellect Design Arena Pte. Ltd.

(Incorporated in the Republic of Singapore)

Directors

Jaideep Billa

Swaminathan Subramanian

Ravanasamudram Nilakantam Nagaraj Prasad

Anand Pande

Secretary

Vangal Rangarajan Ranganathan

Registered Office

No. 10 UBI Crescent

#04-48 UBI Techpark

Lobby C, UBI Avenue 1

Singapore 408564

Auditors

Natarajan & Swaminathan

Chartered Accountants of Singapore

1 North Bridge Road

#19-04/05 High Street Centre

Singapore 179094

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Intellect Design Arena Pte. Ltd.

Directors' Statement

For the financial year ended March 31, 2019

The directors present this statement to the members together with the audited financial statements of the Company for the financial year ended March 31, 2019.

1 Directors

The directors in office at the date of this statement are: -

Jaideep Billa

Swaminathan Subramanian

Ravanasamudram Nilakantam Nagaraj Prasad

Anand Pande

2 Arrangements to enable directors to acquire shares and debentures

Neither during nor at the end of the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits through the acquisition of shares in, or debentures of the Company or any other body corporate.

3 Directors' interest in shares and debentures

The directors holding office at the end of the financial year had no interests in shares, debentures, warrants or share options of the Company as recorded in the Register of Directors' Shareholding kept by the Company under Section 164 of the Singapore Companies Act.

4 Share options

During the financial year, there were:

- (i) no options granted by the Company to any person to take up unissued shares of the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

Intellect Design Arena Pte. Ltd.

Directors' Statement

For the financial year ended March 31, 2019

5 Auditors

The auditors, Natarajan & Swaminathan, have expressed their willingness to accept re-appointment.

6 Directors' opinion

In the opinion of the directors,

- (a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at March 31, 2019 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Financial Reporting Standards in Singapore; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors



Ravanasamudram Nilakantam
Nagaraj Prasad



Jaideep Billa

Date: May 1, 2019

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF INTELLECT DESIGN ARENA PTE. LTD.
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019**
(Incorporated in the Republic of Singapore)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **INTELLECT DESIGN ARENA PTE. LTD.** (the "Company"), which comprise the statement of financial position of the Company as at March 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRS) so as to give a true and fair view of the financial position of the Company as at March 31, 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to **Note 6** to the financial statements. The Company has investments in subsidiaries amounting to S\$14,204,452 that includes subsidiaries in operations for more than 3 to 4 years. The subsidiaries other than Intellect Design Sdn. Bhd. are in capital deficit and/or had incurred loss during the financial year. The management does not consider any impairment is necessary for the cost of investment in these subsidiaries based on future projections of results for these subsidiaries. The forecast are based on several factors and actual results may differ from forecast.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement set out on pages 1 to 2.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF INTELLECT DESIGN ARENA PTE. LTD.
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019
(Incorporated in the Republic of Singapore)

Other Information (Cont'd)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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, 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 this regard

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRS, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditors' 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 SSA 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.

As part of an audit in accordance with SSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF INTELLECT DESIGN ARENA PTE. LTD.
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019
(Incorporated in the Republic of Singapore)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.


Natarajan & Swaminathan
Public Accountants and Chartered Accountants Singapore

Date: May 1, 2019

Intellect Design Arena Pte. Ltd.
Statement of Financial Position

As at March 31, 2019

	Note	2019	2018	2017
		S\$	Restated S\$	Restated S\$
Assets				
Non-current assets				
Property, plant and equipment	4	374,474	684,985	708,510
Investment property	5	950,000	-	-
Investment in subsidiaries	6	14,204,452	13,594,452	12,176,452
Deferred tax assets	7	7,045	25,531	15,989
Total non-current assets		15,535,971	14,304,968	12,900,951
Current assets				
Trade receivables	8	1,349,274	1,082,224	3,143,133
Other receivables	9	4,999,131	1,781,962	3,097,912
Prepayments		44,843	30,827	52,080
Contract asset	10	1,381,509	127,455	145,692
Cash at banks	11	1,361,872	719,164	643,554
Tax receivable		168,457	742	-
Total current assets		9,305,086	3,742,374	7,082,371
Total assets		24,841,057	18,047,342	19,983,322
Equity and liabilities				
Equity				
Share capital	12	5,217,500	5,217,500	3,799,500
Share option reserve	13	492,173	341,048	273,517
Accumulated profits		9,032,517	6,825,629	6,526,128
Property revaluation reserve		649,985	-	-
Total equity		15,392,175	12,384,177	10,599,145
Current liabilities				
Trade payables and accruals	14	8,791,242	3,116,915	799,641
Other payables	15	342,175	1,960,869	8,190,562
Contract liability	10	309,965	216,953	385,040
Income tax payable		5,500	368,428	8,934
Total current liabilities		9,448,882	5,663,165	9,384,177
Total liabilities		9,448,882	5,663,165	9,384,177
Total equity and liabilities		24,841,057	18,047,342	19,983,322

The annexed accounting policies and explanatory notes form an integral part of the financial statements

Intellect Design Arena Pte. Ltd.
Statement of Comprehensive Income

For the financial year ended March 31, 2019

	Note	<u>2019</u>	<u>2018</u> Restated
		S\$	S\$
Revenue	16	24,942,215	11,332,323
Other income	17	66,092	138,587
Cost of services	18	(13,472,280)	(3,735,605)
Salaries and employee benefits	19	(7,184,662)	(6,254,698)
Depreciation of property, plant and equipment	4	(28,096)	(29,617)
Other operating expenses		(1,901,956)	(570,765)
Finance cost	20	(28,298)	(153,249)
Profit before income tax	21	<u>2,393,015</u>	<u>726,976</u>
Income tax expense	22	(191,592)	(517,131)
Profit after income tax		<u>2,201,423</u>	<u>209,845</u>
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
- Surplus on revaluation of leasehold property		649,985	-
Other comprehensive income for the year, net of tax		<u>649,985</u>	<u>-</u>
Total comprehensive income for the year		<u><u>2,851,408</u></u>	<u><u>209,845</u></u>

The annexed accounting policies and explanatory notes form an integral part of the financial statements

Intellect Design Arena Pte. Ltd.

Statement of Changes in Equity

For the financial year ended March 31, 2019

	Note	Share capital	Share option reserve	Accumulated profits	Property revaluation reserve	Total
		S\$	S\$	S\$	S\$	S\$
Balance as at 01.04.2017 as previously stated		3,799,500	-	6,799,645	-	10,599,145
Prior year adjustment	26	-	273,517	(273,517)	-	-
Balance as at 01.04.2017 as restated		3,799,500	273,517	6,526,128	-	10,599,145
Issue of shares	12	1,418,000	-	-	-	1,418,000
Value of employee services	13	-	157,187	-	-	157,187
Share option exercised/cancelled	13	-	(89,656)	89,656	-	-
Total comprehensive income for the year		-	-	209,845	-	209,845
Balance as at 31.03.2018		5,217,500	341,048	6,825,629	-	12,384,177
Balance as at 31.03.2018 as previously stated		5,217,500	-	7,166,677	-	12,384,177
Prior year adjustment	26	-	341,048	(341,048)	-	-
Balance as at 31.03.2018 as restated		5,217,500	341,048	6,825,629	-	12,384,177
Value of employee services	13	-	156,590	-	-	156,590
Share option exercised/cancelled	13	-	(5,465)	5,465	-	-
Total comprehensive income for the year		-	-	2,201,423	649,985	2,851,408
Balance as at 31.03.2019		5,217,500	492,173	9,032,517	649,985	15,392,175

The annexed accounting policies and explanatory notes form an integral part of the financial statements

Intellect Design Arena Pte. Ltd.

Statement of Cash Flows

For the financial year ended March 31, 2019

	<u>2019</u>	<u>2018</u>
	S\$	Restated S\$
Cash flows from operating activities		
Profit before income tax	2,393,015	726,976
Adjustments for:		
Depreciation of property, plant and equipment	28,096	29,617
Interest income	(14,119)	(846)
Interest expense	28,298	153,249
Share based compensation	156,590	157,187
Currency translation	378	(201)
Operating profit before working capital changes	2,592,258	1,065,982
Trade receivables	(267,050)	2,060,909
Other receivables and prepayments	(3,223,828)	1,337,203
Contract asset	(1,254,054)	18,237
Trade payables and accruals	5,674,327	1,981,100
Other payables	30,748	9,196
Contract liability	93,012	168,087
Cash generated from operations	3,645,413	6,640,714
Interest received	6,762	846
Income tax paid	(704,127)	(167,720)
Net cash from operating activities	<u>2,948,048</u>	<u>6,473,840</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,600)	(6,092)
Investment in subsidiaries	(610,000)	(1,418,000)
Net cash used in investing activities	<u>(627,600)</u>	<u>(1,424,092)</u>
Cash flows from financing activities		
Interest paid	(28,298)	(188,468)
Proceeds from issue of shares	-	1,418,000
Other payables - holding company and related companies	(1,649,442)	(6,203,670)
Net cash used in financing activities	<u>(1,677,740)</u>	<u>(4,974,138)</u>
Net increase in cash and cash equivalents	642,708	75,610
Cash and cash equivalents brought forward	719,164	643,554
Cash and cash equivalents carried forward	<u><u>1,361,872</u></u>	<u><u>719,164</u></u>
Cash and cash equivalents comprise:-		
Cash at banks	1,361,872	719,164
	<u><u>1,361,872</u></u>	<u><u>719,164</u></u>

The annexed accounting policies and explanatory notes form an integral part of the financial statements

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 Corporate information

The Company (Registration No. 199701040R) is a private limited Company incorporated and domiciled in Singapore.

The registered office and the principal place of business are at No. 10 UBI Crescent #04-48, UBI Tech Park Lobby C, Ubi Avenue 1, Singapore 408564.

The principal activities of the Company are to develop software and to provide software related services.

There has been no significant change in the nature of these activities during the financial year.

Holding company

The Company is a wholly owned subsidiary of 'Intellect Design Arena Ltd', a company incorporated and listed in the Stock Exchanges in India namely, National Stock Exchange and Bombay Stock Exchange, which is also the Company's ultimate holding company.

Branch office

The Company has registered a Branch in Japan and the revenue and expenses of the branch has been incorporated in the financial statements.

Subsidiaries

Refer **Note 6** to the financial statements for the subsidiaries and its principal activities.

2 Going concern

As at statement of financial position date, the Company's current liabilities exceeded its current assets by S\$143,796 (2018:S\$1,920,791). The financial statements have been prepared on a going concern basis on the assumption that financial support from the holding company will continue to be available. In the event that there is no continued financial support, the going concern basis would be invalid and provision would have to be made for any loss on realisation of the Company's assets and further costs, which might arise. The directors are satisfied that financial support from the holding company will be available as and when required.

3 Significant accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standards in Singapore ("FRS") as required by the Singapore Companies Act, Chapter 50. These financial statements are the separate financial statements of Intellect Design Arena Pte. Ltd..

The Company is exempted from the preparation of consolidated financial statements as the Company is a wholly-owned subsidiary of Intellect Design Arena Ltd, a company incorporated in India, which prepares consolidated financial statements available for public use. The registered office of Intellect Design Arena Ltd is as follow:

3 Significant accounting policies (Cont'd)**a) Basis of preparation (Cont'd)**

Polaris House
244 Anna Salai
Chennai 600 006
India

The financial statements are expressed in Singapore Dollar (S\$) and are prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. These estimates and assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances (refer **Note 3(c)** to the financial statements).

The Company adopted the new or revised FRS that is mandatory for application on that date. This includes the following FRS, which are relevant to the Company as a single entity:

FRS 40	(Amendments)	: Transfers of Investment Property
FRS 102	(Amendments)	: Classification and Measurement of Share-based Payment Transactions
FRS 109		: Financial Instruments
FRS 115	(Amendments)	: Revenue from Contracts with Customers

Improvements to FRSs

FRS 28	(Amendments)	: Investments in Associates and Joint Ventures
FRS 101	(Amendments)	: First-time Adoption of Financial Reporting Standards
FRS 112		: Disclosure of Interests in Other Entities

Adoption of new and amended standards and interpretations**FRS 115 Revenue from Contracts with Customers**

FRS 115 supersedes FRS 11 Construction Contracts, FRS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. FRS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

3 Significant accounting policies (Cont'd)

a) Basis of preparation (Cont'd)

FRS 115 Revenue from Contracts with Customers (Cont'd)

FRS 115 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted FRS 115 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 April 2018 and there is no material effect or adjustments that arises from the adoption of FRS 115. Consequently no comparative for the 2018 financial year have been impacted or restated.

FRS 115 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Company has adopted the terminology used in FRS 115 to describe such balances.

FRS 109 Financial Instruments

FRS 109 replaces FRS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied FRS 109 retrospectively, with an initial application date of 1 April 2018. The Company has not restated comparative information which continues to be reported under FRS 39 and the disclosure requirements of FRS 107 Financial Instruments: Disclosures relating to items within the scope of FRS 39.

The adoption of these does not result in any significant changes to the Company's accounting policies or have any significant impact on the financial statements.

The nature of the adjustments are described below:

(i) Classification and measurement

Under FRS 109, debt instruments are subsequently measured either at fair value through profit or loss (FVPL), amortised cost or fair value through other comprehensive income (FVOCI).

The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 April 2018.

3 Significant accounting policies (Cont'd)

a) **Basis of preparation (Cont'd)**

(i) **Classification and measurement (Cont'd)**

The assessment of whether contractual cash flows on debt instruments solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of FRS 109 did not have a significant impact to the Company. The Company continued measuring at fair value all financial assets previously held at fair value under FRS 39. The following are the changes in the classification and measurement of the Company's financial assets:

- Trade and other receivables classified as loans and receivables as at 31 March 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These were classified and measured as debt instruments at amortised cost beginning 1 April 2018.

There is no effect as a result of the change in classification.

The Company has not designated any financial liabilities at FVPL. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of FRS 109, the Company had the following required or elected reclassifications as at 1 April 2018:

<i>FRS 39 measurement category</i>	S\$	<u><i>FRS 109 measurement category</i></u>
		<u>Amortised cost</u>
		S\$
<u>Loans and receivables</u>		
Trade receivables	1,082,224	1,082,224
Other receivables	1,781,962	<u>1,781,962</u>
		<u><u>2,864,186</u></u>

(ii) **Impairment**

The adoption of FRS 109 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing FRS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. FRS 109 requires the Company to recognise an allowance for ECLs for all debt instruments not held at FVPL

Specifically, FRS 109 requires the Company to recognise a loss allowance for expected credit losses on i) debt investments subsequently measured at amortised cost or at FVOCI, ii) lease receivables, iii) contract assets and iv) loan commitments and financial guarantee contracts to which the impairment requirements of FRS 109 apply.

Upon adoption of FRS 109, the Company has assessed there is no material expected credit losses that needs to be provided for.

3 Significant accounting policies (Cont'd)

b) Consolidated financial statements

Consolidated financial statements of the Company and its subsidiaries has not been prepared as the Company is a wholly owned subsidiary of a company incorporated in India (refer **Note 1** to the financial statements), which publishes consolidated financial statements.

c) Critical judgments in applying the entity's accounting policies

In the process of applying the entity's accounting policies, management is of opinion that there are no critical judgments (other than those involving estimates) that have significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation

The Company depreciates the property, plant and equipment over their estimated useful lives, after taking into account their estimated residual values, if any, using the straight-line method. The estimated useful life reflects the directors' estimate of the years that the Company intends to derive future economic benefits from the use of the Company's property, plant and equipment. The residual values reflect the directors' estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

Investment property

Investment property is stated at fair value in accordance with FRS 40. Fair value is determined by the management based on the open market value of the property on the existing use basis. The valuation determined by management may differ slightly from any independent valuers' valuation as of year-end.

Investment in subsidiaries

Investment in subsidiaries are stated at cost less impairment loss, if any. In determining if there is any impairment, the management evaluates the market and economic environment in which the entities operates, the economic performance, the forecasted results, the net assets values, and the operating cash flow of these entities. The evaluation of these factors involves a significant degree of management judgment.

Provision for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates.

3 Significant accounting policies (Cont'd)

c) Critical judgments in applying the entity's accounting policies (Cont'd)

Provision for expected credit losses of trade receivables and contract assets (Cont'd)

The Company will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

d) Foreign currency transactions

(i) Functional currency

The functional currency of the Company is Singapore Dollar, being the currency of the primary economic environment in which it operates.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign currency monetary assets and liabilities are translated into the functional currency at the exchange rates prevailing at the statement of financial position date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of foreign currency denominated assets and liabilities are recognised in the profit or loss.

Currency translation differences on non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items are measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit or loss. When assets are sold or retired, their cost and accumulated depreciation and impairment loss are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit or loss.

3 Significant accounting policies (Cont'd)**f) Depreciation of property, plant and equipment**

Depreciation is calculated on a straight-line method to write off the cost of the property, plant and equipment over their estimated useful lives as follows:

Leasehold properties	-	55	years
Furniture & fittings	-	10	years
Office equipment	-	10	years
Computers & peripherals	-	5	years
Computer software	-	3	years
Renovation	-	10	years
Other assets	-	6	years

Fully depreciated assets still in use are retained in the financial statements.

g) Investment property

Investment property is held to earn rentals and/or for capital appreciation, are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss for the year in which they arise.

h) Investment in subsidiaries

Subsidiaries are investees that are controlled by the Company. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in the subsidiaries are carried at cost less accumulated impairment losses, if any. On disposal of investments in subsidiaries, the differences between disposal proceeds and the carrying amounts of the investments are recognised in the profit or loss.

i) Impairment of non-financial assets

At each statement of financial position date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3 Significant accounting policies (Cont'd)

i) Impairment of non-financial assets (Cont'd)

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

j) Financial instruments

These accounting policies are applied on and after the initial application date of FRS 109, 1 April 2018:

Financial instruments comprise financial assets and financial liabilities. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade receivables do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined per the Company's revenue recognition policy.

Financial assets that are classified and measured at amortised cost or fair value through OCI, are financial assets that give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. The assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

3 Significant accounting policies (Cont'd)

j) Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified in four categories:-

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses ("FVOCI")
- Financial assets elected at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Company's relevant financial assets category are financial assets at amortised cost and FVOCI.

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:-

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognized, modified or impaired. For short-term receivables the nominal cost approximates the fair value.

The Company's financial assets at amortised cost includes trade and other receivables and cash at banks.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has entered into a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

3 Significant accounting policies (Cont'd)j) **Financial instruments (Cont'd)**(i) **Financial assets (Cont'd)***Derecognition (Cont'd)*

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade and other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay.

3 Significant accounting policies (Cont'd)

j) **Financial instruments (Cont'd)**

(i) **Financial assets (Cont'd)**

Impairment of financial assets (Cont'd)

The Company makes judgmental assessment for financial asset in default when contractual payments are past due.

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) **Financial liabilities**

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. For short term payables the nominal costs approximate the fair value.

The Company's financial liabilities include other payables and accruals.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires when an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

These accounting policies are applied before the initial application date of FRS 109, 1 April 2018:

Financial assets

Financial instruments comprise financial assets and liabilities and they are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

3 Significant accounting policies (Cont'd)

j) Financial instruments (Cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

Financial assets are classified as one of the financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate.

Recognition

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not measured at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets at the time of initial recognition, and where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

As of year-end the Company has the following classes of financial assets:-

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as "trade and other receivables" and "cash and bank balances" on the statement of financial position. They are presented as current assets, except for those maturing 12 months after the financial position date, which are presented as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. For short term receivables the nominal cost would approximate the fair value.

Impairment

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

3 Significant accounting policies (Cont'd)

j) Financial instruments (Cont'd)

Impairment (Cont'd)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if any, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Derecognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities include trade payables on normal trade terms, other payables and interest-bearing loans and borrowings.

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis. For short term payables the cost approximates the fair value.

Interest-bearing bank loans and overdraft are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for finance costs.

3 Significant accounting policies (Cont'd)

j) Financial instruments (Cont'd)

Financial liabilities (Cont'd)

Financial liabilities are derecognised when the obligation under the liabilities are discharged, cancelled or expire.

k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

l) Contract asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

m) Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

n) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at banks.

o) Related parties

A related parties are defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company or its holding company.

3 Significant accounting policies (Cont'd)

o) Related parties (Cont'd)

(b) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others, classified as related companies);
- (ii) One entity is an associate or joint venture of the other entity (for an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of the third entity and the other entity is an associate of the third party;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or its holding company;

p) Revenue recognition

These accounting policies are applied on and after the initial application date of FRS 115, 1 April 2018:

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

The Company's revenues are generated from its sales of software license; provision of implementation services; and provision of maintenance and support services.

3 Significant accounting policies (Cont'd)

p) Revenue recognition (Cont'd)

Revenue from sale of its software license are recognised when they deliver to the customer and all criteria for acceptance are satisfied. Revenue from implementation services are recognised as and when services are rendered over the time period as disclosed below.

Revenue from implementation services are either on time and material contracts or fixed price contracts. The revenue from the contracts are recognised on the following basis:-

(a) Time-and-material contracts

Revenue with respect to time-and-material contracts is recognised as the related services are performed.

(b) Fixed price contracts

Revenue related to fixed price contracts are recognised in accordance with the percentage of completion method (PCM). Percentage of completion is measured by reference to the milestones completed in proportion to the deliverable as per the contracts with the customers. The contract sum is apportioned over each milestone to be completed based on the input (efforts) required to complete the milestones. Revenue is recognised in accordance with the milestone completed. Provision for estimated losses on incomplete contracts are recorded in the year in which losses become probable based on the current contract estimates.

For services accounted for under the PCM method, earnings in excess of billing are classified as contract assets, while billing in excess of earnings are classified as contract liabilities.

Revenue from maintenance and software support services are recognised on prorata basis over the period of the contract.

Multiple-element arrangements

When a sales arrangement contains multiple elements, such as services, hardware and software products and licenses, revenue for each element is based on a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence if available or third party evidence if vendor specific evidence is not available, or estimated selling price if neither vendor specific objective nor third party evidence is available.

The best estimate of selling price is established considering internal factors such as margin objectives, pricing practices and customer segment pricing strategies. Consideration is also given to market conditions such as competitor pricing strategies. In multiple-element arrangements, revenue is allocated to each separate unit of accounting using the relative selling price of each of the deliverables in the arrangement based on the aforementioned selling price hierarchy. If the arrangement contains more than one software deliverable, the arrangement consideration is allocated to each software deliverable based on their value.

3 Significant accounting policies (Cont'd)

p) Revenue recognition (Cont'd)

Multiple-element arrangements (Cont'd)

Revenue recognition for delivered elements is limited to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer specified return or refund privileges.

Certain upfront non-recurring contract acquisition costs incurred in the initial phases of contracts are deferred and amortised usually on a straight line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted cash flows from the arrangement are periodically estimated and compared with the unamortised costs. If the unamortised costs exceed the undiscounted cash flow, a loss is recognised.

When revenue is derived from sales of third party vendor services, material or licenses, revenue is recorded on a gross basis when the Company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the Company is a principal or an agent, most notably whether the Company is a primary obligor the customer, has established its own pricing, and has inventory and credit risks.

The Company does not provide any volume discount nor any sales with right of returns.

These accounting policies are applied before the initial application date of FRS 115, 1 April 2018:

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of value added tax, rebates, discounts and sales returns.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before the revenue is recognised.

(i) Revenue from rendering of services

(a) Time-and-material contracts

Revenue with respect to time-and-material contracts is recognised as the related services are performed.

(b) Fixed price contracts

Revenue related to contracts providing maintenance and support services, is recognised over the term of the contract, whilst revenue related to other fixed price contracts are recognised in accordance with the percentage of completion method (PCM). Percentage of completion is measured by reference to the milestones completed in proportion to the deliverable as per the contracts with the customers.

3 Significant accounting policies (Cont'd)**p) Revenue recognition (Cont'd)****(i) Revenue from rendering of services (Cont'd)****(b) Fixed price contracts (Cont'd)**

The contract sum is apportioned over each milestone to be completed based on the input (efforts) required to complete the milestones. Revenue is recognised in accordance with the milestone completed. Provision for estimated losses on incomplete contracts are recorded in the year in which losses become probable based on the current contract estimates.

For services accounted for under the PCM method, earnings in excess of billing are classified as unbilled revenue, while billing in excess of earnings are classified as deferred revenue.

(ii) Multiple-element arrangements

When a sales arrangement contains multiple elements, such as services, hardware and software products and licenses, revenue for each element is based on a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence if available or third party evidence if vendor specific evidence is not available, or estimated selling price if neither vendor specific objective nor third party evidence is available.

The best estimate of selling price is established considering internal factors such as margin objectives, pricing practices and customer segment pricing strategies. Consideration is also given to market conditions such as competitor pricing strategies. In multiple-element arrangements, revenue is allocated to each separate unit of accounting using the relative selling price of each of the deliverables in the arrangement based on the aforementioned selling price hierarchy. If the arrangement contains more than one software deliverable, the arrangement consideration is allocated to each software deliverable based on their value.

Revenue recognition for delivered elements is limited to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer specified return or refund privileges.

Certain upfront non-recurring contract acquisition costs incurred in the initial phases of contracts are deferred and amortised usually on a straight line basis, over the term of the contract unless revenues are earned and obligations are fulfilled in a different pattern. The undiscounted cash flows from the arrangement are periodically estimated and compared with the unamortised costs. If the unamortised costs exceed the undiscounted cash flow, a loss is recognised.

When revenue is derived from sales of third party vendor services, material or licenses, revenue is recorded on a gross basis when the Company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer and the vendor. Several factors are considered to determine whether the Company is a principal or an agent, most notably whether the Company is a primary obligor the customer, has established its own pricing, and has inventory and credit risks.

3 Significant accounting policies (Cont'd)

q) **Other income**

The following income are recognised on the following basis:

- (i) Government grant is recognised upon receipt basis.
- (ii) interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.
- (iii) Rental income from sublet of property are recognised on a straight-line monthly basis over the lease term.

r) **Employee benefits**

Retirement benefit costs

As required by law, the Company makes contributions to the Central Provident Fund (CPF), a defined contribution plan regulated and managed by the Government of Singapore. CPF contributions are recognised as expense in the same year to which the contribution relates.

Employee entitlements to annual leave are recognised when they accrue to the employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by the employees up to the statement of financial position date.

A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Key management personnel

Directors and certain managers that have the authority and responsibility for planning, directing and controlling the activities of the Company are considered key management personnel.

s) **Employee share option reserve**

Employee share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

t) **Finance cost**

Interest expense and similar charges are expensed in the profit or loss in the year in which they are incurred.

u) **Operating lease**

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

3 Significant accounting policies (Cont'd)

v) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

w) Income tax

Income tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is calculated using statutory tax rate at the statement of financial position date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset, realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt, within equity.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on net basis.

4 Property, plant and equipment

A separate schedule for property, plant and equipment is enclosed. Refer **Page 46** and **Page 47** to the financial statements.

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

4 Property, plant and equipment (Cont'd)

The leasehold properties are located at 10 UBI Crescent, #04-48/49 Lobby C, Ubi Techpark, Singapore 408564.

As of the end of the financial year, the directors of the Company had determined a leasehold property, unit #04-49 shall be held as investment property for foreseeable future due to the change in purpose. The property was revalued by the directors based on an Independent Property Valuer valuation in March 2019 at S\$950,000 and accordingly transferred to investment property (refer Note 5 to the financial statements). The valuation was based on as existing use basis and on direct comparison method by comparison of transactions of comparable properties in the vicinity adjusted for factors such as size, location and condition.

5 Investment property

	<u>2019</u>	<u>2018</u>
	S\$	S\$
<i>At fair value</i>		
At beginning of year	-	-
Transferred from properties, plant and equipment (Refer Note 4 to the financial statements)	950,000	-
At end of year	<u>950,000</u>	<u>-</u>

Refer Note 4 to the financial statements, for details of the property.

6 Investment in subsidiaries

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Unquoted equity shares, at cost	<u>14,204,452</u>	<u>13,594,452</u>

Details of the subsidiaries:-

<u>Name of subsidiaries</u>	<u>Country of incorporation and place of business</u>	<u>Principal activities</u>	<u>Percentage of equity held</u>		<u>Cost</u>	
			<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
			%	%	S\$	S\$
Intellect Design Arena, Inc.	United States of America	To develop software and to sell and provide software related services in the finance industry	100	100	12,034,445	12,034,445
Intellect Design Arena Philippines, Inc. (*)	Philippines	To develop software and to sell and provide software related services in the finance industry	100	100	650,100	650,100

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

6 Investment in subsidiaries (Cont'd)

Details of the subsidiaries (Cont'd)

Name of subsidiaries	Country of incorporation and place of business	Principal activities	Percentage of equity held		Cost	
			2019	2018	2019	2018
			%	%	S\$	S\$
PT Intellect Design Arena, Indonesia (#)	Indonesia	To develop software and to sell and provide software related services in the finance industry	100	100	335,250	335,250
Intellect Design Arena Ltd (+)	Thailand	To develop software and to sell and provide software related services in the finance industry	100	100	917,441	307,441
FT Grid Pte. Ltd.	Singapore	To develop software and to sell and provide software related services in the finance industry	100	100	100	100
Intellect Design Sdn Bhd.	Malaysia	To develop software and to sell and provide software related services in the finance industry	100	100	169,400	169,400
Intellect Design Arena Pty. Ltd.	Australia	To develop software and to sell and provide software related services in the finance industry	100	100	97,716	97,716
					14,204,452	13,594,452

(*) 3 shares are held by certain officers of the subsidiary and 4 shares are held by a director of the Company on behalf of the Company (2018: 3 shares are held by certain officers of the subsidiary and 4 shares are held by a director of the Company on behalf of the Company).

(#) 10 shares are held by a commissioner of the subsidiary on behalf of the Company (2018: 10 shares are held by a commissioner of the subsidiary on behalf of the Company).

(+) 2 shares are held by certain directors on behalf of the Company (2018: 2 shares are held by certain directors on behalf of the Company).

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

7 Deferred tax asset

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Provision for expenses	<u>7,045</u>	<u>25,531</u>
The movement in the deferred tax asset is as follows:		
At beginning of year	25,531	15,989
(Debit)/Credit to profit or loss	(18,108)	9,341
Currency translation	(378)	201
At end of the year	<u>7,045</u>	<u>25,531</u>

Refer Note 22 to the financial statements for deferred tax not recognised.

8 Trade receivables

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Outside parties	674,395	450,224
Less: Allowance for doubtful debts		
- At beginning of the year	7,240	-
- Charge for the year	2,366	7,240
- At end of the year	<u>9,606</u>	<u>7,240</u>
	664,789	442,984
Accrued revenue	684,485	639,240
	<u>1,349,274</u>	<u>1,082,224</u>

The average credit period given to external customers' average 100 days (2018:100 days). No interest is charged on the trade receivables.

The table below is an analysis of trade receivables aging as at March 31:

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Not past due	325,247	197,437
Past due 1 to 30 days	46,978	199,452
Past due 31 to 60 days	108,922	-
Past due more than 60 days (*)	183,642	46,095
	<u>664,789</u>	<u>442,984</u>

The Company has not made any allowance on all these receivables, except for those doubtful of recovery, as the directors are of the view that all the receivables are recoverable. Allowance for doubtful debts is made for receivables that management deems has credit risk and is doubtful of full recovery. Trade receivables deemed as credit risk relates to mainly debtors balances that are past due for more than 365 days. These receivables were not secured by any collateral or credit enhancement. The allowances was charged to profit or loss.

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

8 Trade receivables (Cont'd)

The trade receivables that are not denominated in Singapore Dollar are as follows:-

	<u>2019</u>	<u>2018</u>
	S\$	S\$
United States Dollar	<u>1,053,401</u>	<u>1,143,685</u>

9 Other receivables

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Sundry receivables	2,251	5,135
Holding company	879,060	171,347
Subsidiaries:		
- Loan	3,192,449	-
- Interest accrued	6,845	-
- Other advance	179,934	1,071,123
Related companies		
- Loan	273,175	-
- Interest accrued	512	-
- Other advance	421,337	421,257
Staff advances	32,080	46,001
Deposits	11,488	67,099
	<u>4,999,131</u>	<u>1,781,962</u>

The amount due from holding company, subsidiaries and related companies are unsecured, interest free and repayable on demand, except that in 2019, the loan to subsidiaries and related company bear interest at a rate of 2% per annum. The loan and advances to the subsidiaries and related companies are guaranteed by the holding company.

The other receivables that are not denominated in Singapore Dollar are as follows:-

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Japanese Yen	18,032	45,547
United States Dollar	<u>1,816,167</u>	<u>1,165,577</u>

10 Contract asset and liability

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Contract asset		
Unbilled revenue	<u>1,381,509</u>	<u>127,455</u>
Contract liability		
Deferred revenue	<u>309,965</u>	<u>216,953</u>

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

11 Cash at banks

The cash at banks that are not denominated in Singapore Dollar are as follows:-

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Japanese Yen	93,166	415,939
United States Dollar	<u>1,206,008</u>	<u>238,688</u>

12 Share capital

	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
	No. of shares issued	S\$	No. of shares issued	S\$
Ordinary shares issued and fully paid				
Balance at beginning of year	5,217,500	5,217,500	3,799,500	3,799,500
Shares issued	-	-	1,418,000	1,418,000
Balance at end of year	<u>5,217,500</u>	<u>5,217,500</u>	<u>5,217,500</u>	<u>5,217,500</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and have no par value.

13 Share option reserve

	<u>2019</u>	<u>2018</u>
	S\$	Restated S\$
At beginning of the year	341,048	273,517
Value of employees' service	156,590	157,187
Exercised/cancelled during the year	<u>(5,465)</u>	<u>(89,656)</u>
At end of the year	<u>492,173</u>	<u>341,048</u>

The holding company, Intellect Design Arena Ltd, has various plans that provide for the granting of stock options to employees of the Group, that includes the employees and directors of the Company. The stock options allows for the option holder to subscribe for the equity shares of the holding company at the respective exercise price stipulated in the terms of the option plan.

As per FRS 102, Share-based Payment, the cost of the stock options granted to the employees (equity-settled) are measured at the fair value of the equity instruments granted on the grant date, using the Black Scholes Model. The cost is recognised together with a corresponding increase in the share option reserve over the period in which the performance is fulfilled by the employee.

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

14 Trade payables and accruals

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Trade payables:		
- Holding company	6,916,786	1,728,358
GST payable	15,423	36,831
Accrued expenses	1,859,033	1,351,726
	<u>8,791,242</u>	<u>3,116,915</u>

The trade payables and accruals that are not denominated in Singapore Dollar are as follows:-

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Indonesian Rupiah	19,198	-
Japanese Yen	945,944	458,097
United States Dollar	315,839	197,089

15 Other payables

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Sundry payables	65,315	11,779
Holding company	200,934	174,591
Related companies:		
- Loan	-	1,709,197
- Other advance	33,412	-
Consumption tax	42,514	65,302
	<u>342,175</u>	<u>1,960,869</u>

The amount due to holding company is unsecured, interest free and repayable on demand,

In 2018, the loan from related companies of S\$ 910,487 and S\$ 798,710 bore interest of 3.25% and 4% per annum respectively.

The other payables that are not denominated in Singapore Dollar are as follows:-

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Great British Pound	-	910,487
Japanese Yen	308,763	247,757
Thai Bhat	8,630	-
United States Dollar	-	798,710

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

16 Revenue

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Type of income:		
Sale of license	13,141,493	379,120
Services income	10,791,834	10,252,449
Maintenance service	1,008,888	700,754
	<u>24,942,215</u>	<u>11,332,323</u>
Timing of transfer of goods/services:		
At point in time	13,000,000	379,120
Over time	<u>11,942,215</u>	<u>10,953,203</u>

The Company has not provided for variable consideration during the financial year.

17 Other income

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Foreign exchange gain	-	77,055
Government grants:		
- Wage credit scheme	-	1,489
- Temporary employment credit	-	3,619
Interest income from loans:		
- Subsidiary	11,961	846
- Related companies	2,158	-
Miscellaneous income	-	10,365
Rental income	51,973	45,213
	<u>66,092</u>	<u>138,587</u>

18 Cost of services

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Consultancy charges	13,144,254	3,089,676
Software license	328,026	645,929
	<u>13,472,280</u>	<u>3,735,605</u>

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

19 Salaries and employee benefits

Salaries and employee benefits for the financial years ended;

	Note	2019	2018
		S\$	Restated S\$
Salaries and wages		7,053,729	5,427,829
CPF contribution (defined)		78,717	71,885
Director's remuneration		198,731	159,908
CPF on director's remuneration (defined)		12,463	12,240
Insurance		70,471	57,780
Share based compensation		156,590	157,187
Staff training and welfare		483,443	634,732
Social security cost		282,328	290,616
		<u>8,336,472</u>	<u>6,812,177</u>
Less: Expenses recovered	23	<u>(1,151,810)</u>	<u>(557,479)</u>
		<u>7,184,662</u>	<u>6,254,698</u>

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2019	2018
	S\$	S\$
Salaries and other employee benefits	211,194	172,148
Share based compensation	<u>78,825</u>	<u>85,692</u>

20 Finance cost

	2019	2018
	S\$	S\$
Interest on loans from related companies	<u>28,298</u>	<u>153,249</u>

21 Profit before Income tax

In addition to the charges and credits disclosed elsewhere in the notes to the income statement, this item includes the following charges/(credits):-

	2019	2018
	S\$	S\$
Allowance for doubtful debts - trade (outside parties)	2,366	7,240
Bad debts written off - trade (outside parties)	-	1,440
Foreign exchange loss/(gain)	145,833	(77,055)
Professional charges	241,943	161,952
Transport and travelling	<u>412,960</u>	<u>241,676</u>

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

22 Income tax expense

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Current year	122,140	406,239
Deferred tax expense/(credit)	18,108	(9,341)
Foreign withholding tax	51,344	120,233
	<u>191,592</u>	<u>517,131</u>

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% to profit before income tax as a result of the following differences:

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Profit before income tax	<u>2,393,015</u>	<u>726,976</u>
Tax expense at tax rate (*)	524,062	340,939
Non-deductible items	37,204	55,442
Statutory stepped exemption	(9,271)	-
Deferred tax arising in the year not provided	(352,088)	11,176
Other deductions for branch	(56,739)	(8,415)
Foreign withholding tax	51,344	120,233
Withholding tax credit	(2,948)	-
Other items	28	(2,244)
Income tax expense for the financial year	<u>191,592</u>	<u>517,131</u>

(*) Reconciliation is arrived by aggregating separate reconciliation prepared using the domestic rate in each individual jurisdiction (of the company and its branch).

As at statement of financial position date, the Company has unutilised tax losses of approximately S\$Nil (2018:S\$1,725,000) available for set off against the future taxable profits, subject to compliance with Section 37 of the Income Tax Act, Cap.134 and agreement by the Comptroller of Income Tax.

Deferred tax assets/(liabilities) as of end of the financial year not recognised in the financial statements are as follows:

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Differences in depreciation	(5,000)	(3,000)
Unutilised tax losses	-	293,000
	<u>(5,000)</u>	<u>290,000</u>

The deferred tax asset is not recognised as future taxable profits to utilise the benefits cannot be reasonably estimated.

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

23 Holding company, related companies and related parties transactions

Some of the Company's transactions and arrangement are with holding company, related companies and related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances with these parties are unsecured, interest free and repayable on demand unless otherwise stated.

During the financial year, the Company entered into the following transactions:

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Holding company		
Income from software services	303,014	276,570
Software development fees paid	13,144,254	3,124,451
Expenses recovered	<u>1,151,810</u>	<u>557,479</u>
Subsidiaries		
Interest received	<u>11,961</u>	846
Related companies		
Interest received	902	-
Interest paid	<u>28,298</u>	<u>153,249</u>
Related parties		
Transaction with companies in which director has an interest		
- Professional fees	<u>941,420</u>	<u>352,958</u>

24 Financial instruments, financial and capital risk management

(a) Categories of financial instruments

The following table sets out the financial instruments as at the statement of financial position date:

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Financial assets		
Amortised cost:		
- Trade receivables	1,349,274	1,082,224
- Other receivables	4,999,131	1,781,962
- Cash at banks	<u>1,361,872</u>	<u>719,164</u>
Total financial assets	<u><u>7,710,277</u></u>	<u><u>3,583,350</u></u>
Financial liabilities		
Amortised cost:		
Trade payables and accruals (excluding GST)	8,775,819	3,080,084
Other payables (excluding Consumption tax)	<u>299,661</u>	<u>1,895,567</u>
Total financial liabilities	<u><u>9,075,480</u></u>	<u><u>4,975,651</u></u>

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

24 Financial instruments, financial and capital risk management (Cont'd)

(b) Fair value measurements

Fair value hierarchy

The assets and liabilities measured at fair value are classified by the following level of fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Assets measured at fair value

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	S\$	S\$	S\$	S\$
<u>2019</u>				
Non-financial assets:				
Investment property	-	-	950,000	950,000
<u>2018</u>				
Non-financial assets:				
Investment property	-	-	-	-

For measurements:

Level 1 - Investment property basis of valuation are disclosed in Note 5 to the financial statements).

Assets and liabilities not measured at fair value

(i) *Trade receivables and trade payables*

The carrying amounts of these receivables and payables (including trade balances due from/to holding company) approximate their fair values as they are subject to normal trade credit terms.

(ii) *Other receivables, cash at banks and other payables*

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

(c) **Financial risk management**

The Company's activities expose it to a variety of financial risks from its operations. The key financial risks include liquidity risk, credit risk and market risk (including interest rate risk, foreign currency risk and price risk).

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

24 Financial instruments, financial and capital risk management (Cont'd)

(c) Financial risk management (Cont'd)

The directors review and agree policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. As of year-end, the current liabilities exceed the current assets. The Company does not anticipate any problems in obtaining additional funding from its holding company if the need arises. As at the date of this report, its holding company has undertaken to provide adequate financial support to enable the Company to meet its liabilities as and when they fall due.

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Carrying amount	Cash flows		
		Contractual cash flow	Less than 1 year	Within 2 to 5 years
	S\$	S\$	S\$	S\$
2019				
Financial assets				
Trade receivables	1,349,274	1,349,274	1,349,274	-
Other receivables	4,999,131	4,999,131	4,999,131	-
Cash at banks	1,361,872	1,361,872	1,361,872	-
Total undiscounted financial assets	<u>7,710,277</u>	<u>7,710,277</u>	<u>7,710,277</u>	-
Financial liabilities				
Trade payables and accruals	(8,775,819)	(8,775,819)	(8,775,819)	-
Other payables	(299,661)	(299,661)	(299,661)	-
Total undiscounted financial liabilities	<u>(9,075,480)</u>	<u>(9,075,480)</u>	<u>(9,075,480)</u>	-
Total net undiscounted financial liabilities	<u>(1,365,203)</u>	<u>(1,365,203)</u>	<u>(1,365,203)</u>	-

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

24 Financial instruments, financial and capital risk management (Cont'd)

(c) Financial risk management (Cont'd)

Liquidity risk (Cont'd)

	Carrying amount	Cash flows		
		Contractual cash flow	Less than 1 year	Within 2 to 5 years
	S\$	S\$	S\$	S\$
2018				
Financial assets				
Trade receivables	1,082,224	1,082,224	1,082,224	-
Other receivables	1,781,962	1,781,962	1,781,962	-
Cash at banks	719,164	719,164	719,164	-
Total undiscounted financial assets	3,583,350	3,583,350	3,583,350	-
Financial liabilities				
Trade payables and accruals	(3,080,084)	(3,080,084)	(3,080,084)	-
Other payables	(186,370)	(186,370)	(186,370)	-
Borrowings	(1,709,197)	(1,770,736)	(1,770,736)	-
Total undiscounted financial liabilities	(4,975,651)	(5,037,190)	(5,037,190)	-
Total net undiscounted financial liabilities	(1,392,301)	(1,453,840)	(1,453,840)	-

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company has adopted a policy of only dealing with creditworthy counterparties. The Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 365 days past the credit due dates, or there is significant difficulty of the counterparty.

Cash at banks are placed with credit worthy financial institutions.

Trade and other receivables

The Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, historical credit loss experience based on the past due status of the debtors, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using lifetime ECL. The management has estimated an allowance for credit loss based on the trade balances that are outstanding for more than 365 days. The management has not made any further allowance for credit risk as at April 1, 2018 as it considers allowance made as at March 31, 2018 is adequate.

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

24 Financial instruments, financial and capital risk management (Cont'd)

(c) Financial risk management (Cont'd)

Credit risk (Cont'd)

As at year end, the Company's trade receivables of outside parties comprise of four customers' balance that comprise of 69% (2018: three customers' whose balance comprise 79%) of the Company's trade receivables and contract asset.

The Company also has significant exposure of credit risk in relation to its other receivables from its subsidiaries and a related company. Three subsidiaries (2018: three subsidiaries) and a related company's (2018: a related company) balance comprise 98% (2018:100%) and 100% (2018:100%) of the subsidiaries and related company's balances respectively.

The management does not foresee any risk of default by these parties as they creditworthy customers and the balances are not past due. Further details of credit risks on trade receivables are disclosed in **Note 8** to the financial statements.

Interest rate risk

The Company has no significant exposure to market risk for changes in interest rates as it has no interest bearing borrowings with variable interest rates as of end of the financial year.

Foreign currency risk

The Company transacts its business in Singapore Dollar and also in other currencies such as United States Dollar, Japanese Yen and few other currencies.

At financial year end, the carrying amounts of monetary assets and liabilities denominated in currencies other than in the functional currency of the Company are disclosed in the respective notes to the financial statements.

Foreign currency sensitivity analysis

The Company has investment in foreign subsidiaries where net assets are exposed to currency translation risk. The Company has not taken up any hedge from this exposure.

Any increase or decrease in the following foreign currencies will have an impact on the financial statements:

	<u>2019</u>	<u>2018</u>
	S\$	S\$
<i>Increase in the rate of the foreign currencies against Singapore Dollar will increase/(decrease) the profit before tax by:</i>		
Great British Pound	-	(91,000)
Japanese Yen	(114,400)	67,000
United States Dollar	376,000	155,000

24 Financial instruments, financial and capital risk management (Cont'd)

(c) Financial risk management (Cont'd)

Foreign currency risk

A corresponding decrease in the rate of foreign currencies will have the vice-versa effect on the results of the Company.

The fluctuations in the other foreign currencies against the Singapore Dollar will not have any significant impact on the results of the Company.

Price risk

As of end of the financial year end, the Company has no significant exposure to price risk.

(d) Capital risk management

The management considers the capital of the Company to mainly consist of shareholders equity. The management manages the capital to ensure the Company will be able to continue as a going concern while maximising the return to shareholders through optimisation of the capital.

As part of the management's review of the capital structure, the management considers the cost of capital and the risks associated with each class of capital. The management will balance its overall capital structure through the payment of dividends, new issue of shares, obtaining new loans or repayment of loans.

The management's overall strategy remains unchanged from 2018.

25 New accounting standards and FRS interpretations

At the date of authorisation of these financial statements, the following FRS and INT FRS that are relevant to the Company were issued and not effective:

	Effective from annual periods beginning on or after
FRS 28 (Amendments) : Long-term Interests in Associates and Joint Ventures	January 1, 2019
FRS 109 (Amendments) : Prepayment Features with Negative Compensation	January 1, 2019
FRS 116 : Leases	January 1, 2019
Improvements to FRSs	
Annual Improvements to FRS (March 2018)	January 1, 2019
FRS 12 (Amendments) : Income Taxes	January 1, 2019
FRS 23 (Amendments) : Borrowing Costs	January 1, 2019
FRS 103 (Amendments) : Business Combinations	January 1, 2019
FRS 111 (Amendments) : Joint Arrangements	January 1, 2019
FRS 123 : Uncertainty Over Income Tax Treatments	January 1, 2019

Intellect Design Arena Pte. Ltd.

Notes to the Financial Statements

For the financial year ended March 31, 2019

25 New accounting standards and FRS interpretations (Cont'd)

The management anticipates that the adoption of the above FRS and INT FRS does not result in any significant changes to the Company's accounting policies or have any significant impact on the financial statements of the Company.

26 Prior year adjustment

The prior year adjustments relates to the correction of the accounting entry for share-based payments. In prior years, the Company's employees had received stock options that are equity settled (refer Note 13 to the financial statements). The cost of the stock option granted to the Company's employees was erroneously omitted.

Consequently, the Company has retrospectively accounted for the cost of the stock options. The following accounts are restated:-

	2018	
	As reclassified	As previously reported
Statement of financial position		
Accumulated profits	6,825,629	7,166,677
Share option reserve	341,048	-
Statement of comprehensive income		
Profit before income tax	726,976	884,163
Salaries and employee benefits	6,254,698	6,097,511

There is no tax effect as a result of the adjustment.

27 Reclassification of comparative figures

Certain reclassifications have been made to the prior year's financial statements to be consistent with the current year's financial statements, pursuant to the adoption of new FRS 115, which is effective for periods beginning on or after 1 January 2018. Certain items have been reclassified as follows:

	2018	
	As reclassified	As previously reported
Statement of financial position		
Trade receivables	1,082,224	1,209,679
Contract assets	127,455	-
Trade payables	3,116,915	3,333,868
Contract liabilities	216,953	-

28 Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors on May 1, 2019.

Intellect Design Arena Pte. Ltd.

Schedule For Property, Plant And Equipment

<u>2019</u>	Leasehold properties	Furniture & fittings	Office equipment	Computers & peripherals	Computer software	Renovation	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Cost							
At April 1, 2018	934,400	81,721	57,751	20,655	43,447	153,491	1,291,465
Additions	-	7,250	-	10,350	-	-	17,600
Revaluation adjustment Transferred to investment property	519,400	-	-	-	-	-	519,400
	(950,000)	-	-	-	-	-	(950,000)
At March 31, 2019	503,800	88,971	57,751	31,005	43,447	153,491	878,465
Depreciation							
At April 1, 2018	266,388	80,524	49,205	19,965	36,907	153,491	606,480
Charge for the year	16,989	769	3,824	244	6,270	-	28,096
Revaluation adjustment	(130,585)	-	-	-	-	-	(130,585)
At March 31, 2019	152,792	81,293	53,029	20,209	43,177	153,491	503,991
Net book value							
At March 31, 2019	351,008	7,678	4,722	10,796	270	-	374,474

Intellect Design Arena Pte. Ltd.

Schedule For Property, Plant And Equipment

<u>2018</u>	Leasehold properties	Furniture & fittings	Office equipment	Computers & peripherals	Computer software	Renovation	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Cost							
At April 1, 2017	934,400	81,721	56,098	20,655	39,008	153,491	1,285,373
Additions	-	-	1,653	-	4,439	-	6,092
At March 31, 2018	934,400	81,721	57,751	20,655	43,447	153,491	1,291,465
Depreciation							
At April 1, 2017	249,399	80,056	45,443	19,417	29,057	153,491	576,863
Charge for the year	16,989	468	3,762	548	7,850	-	29,617
At March 31, 2018	266,388	80,524	49,205	19,965	36,907	153,491	606,480
Net book value							
At March 31, 2018	668,012	1,197	8,546	690	6,540	-	684,985

Intellect Design Arena Pte. Ltd.

The Accompanying Supplementary Detailed Income Statement

Has Been Prepared For Management Purposes Only

And Does Not Form Part Of The Audited Financial Statements

Intellect Design Arena Pte. Ltd.

Detailed Income Statement

For the financial year ended March 31, 2019

	<u>2019</u>	<u>2018</u>
	S\$	Restated S\$
Revenue		
Sale of license	13,141,493	379,120
Services income	10,791,834	10,252,449
Maintenance service	<u>1,008,888</u>	<u>700,754</u>
	<u>24,942,215</u>	<u>11,332,323</u>
Other income		
Foreign exchange gain	-	77,055
Government grants:		
- Wage credit scheme	-	1,489
- Temporary employment credit	-	3,619
Interest income from loans:		
- Subsidiary	11,961	846
- Related companies	2,158	-
Miscellaneous income	-	10,365
Rental income	<u>51,973</u>	<u>45,213</u>
	<u>66,092</u>	<u>138,587</u>
Cost of services		
Consultancy charges	(13,144,254)	(3,089,676)
Software license	<u>(328,026)</u>	<u>(645,929)</u>
	<u>(13,472,280)</u>	<u>(3,735,605)</u>
Salaries and employee benefits		
Salaries and wages	(7,053,729)	(5,427,829)
CPF contribution (defined)	(78,717)	(71,885)
Director's remuneration	(198,731)	(159,908)
CPF on director's remuneration (defined)	(12,463)	(12,240)
Insurance	(70,471)	(57,780)
Share based compensation	(156,590)	(157,187)
Staff training and welfare	(483,443)	(634,732)
Social security cost	<u>(282,328)</u>	<u>(290,616)</u>
	<u>(8,336,472)</u>	<u>(6,812,177)</u>
Less: Expenses recovered	<u>1,151,810</u>	<u>557,479</u>
	<u>(7,184,662)</u>	<u>(6,254,698)</u>
Depreciation of property, plant and equipment	<u>(28,096)</u>	<u>(29,617)</u>
Other operating expenses		
Allowance for doubtful debts - trade (outside parties)	(2,366)	(7,240)
Bad debts written off - trade (outside parties)	-	(1,440)
Bank charges	(15,687)	(15,658)
Books and periodicals	(1,769)	(104)
Business promotion	<u>(182,653)</u>	<u>(6,530)</u>

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Intellect Design Arena Pte. Ltd.
Detailed Income Statement

For the financial year ended March 31, 2019

	<u>2019</u>	<u>2018</u>
	S\$	Restated S\$
Other operating expenses (Cont'd)		
Commission	(706,123)	(7,501)
Foreign exchange loss	(145,833)	-
General expenses	(5,544)	(3,356)
Insurance	-	(510)
Membership and subscription	(7,069)	-
Office rent	(23,975)	(22,947)
Professional charges	(241,943)	(161,952)
Postage and courier	(3,982)	(3,467)
Printing and stationery	(4,836)	(4,307)
Rates and taxes	(22,621)	(10,165)
Repairs and maintenance	(22,368)	(25,413)
Recruitment expense	(41,790)	-
Telephone expenses	(53,457)	(51,205)
Transport and travelling	(412,960)	(241,676)
Utilities	(6,980)	(7,294)
	<u>(1,901,956)</u>	<u>(570,765)</u>
Finance cost		
Interest on loans from related companies	<u>(28,298)</u>	<u>(153,249)</u>
Profit before income tax	2,393,015	726,976
Income tax expense:		
- Current year	(122,140)	(406,239)
- Deferred tax (expense)/credit	(18,108)	9,341
- Foreign withholding tax	(51,344)	(120,233)
	<u>2,201,423</u>	<u>209,845</u>
Profit after income tax		
Other comprehensive income	-	-
Items that will not be reclassified subsequently to profit or loss		
- Surplus on revaluation of leasehold property	649,985	-
Other comprehensive income for the year, net of tax	<u>649,985</u>	<u>-</u>
Total comprehensive income for the year	<u><u>2,851,408</u></u>	<u><u>209,845</u></u>

Not Part Of Audited Financial Statements