

PT INTELLECT DESIGN ARENA

**FINANCIAL STATEMENTS
AS OF MARCH 31, 2022 AND
FOR THE YEAR THEN ENDED
AND INDEPENDENT AUDITOR'S REPORT**

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**BOARD OF DIRECTOR'S STATEMENT
REGARDING
THE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS OF
PT INTELECT DESIGN ARENA
AS OF MARCH 31, 2021
AND FOR YEAR THEN ENDED**

I, the undersigned:

Name : Philo Dellano
Personal Identity No. : 3313111811870001
Office address : PT Intellect Design Arena
Menara BCA 50th floor, Jl. MH Thamrin No. 1 Jakarta
Position : Director

declare that:

1. I am responsible for the preparation and presentation of the financial statements of PT Intellect Design Arena;
2. The financial statements of PT Intellect Design Arena have been prepared and presented in accordance with Indonesian Financial Accounting Standards;
3. a. All information contained in the financial statements of PT Intellect Design Arena have been disclosed in a complete and truthful manner;
b. The financial statements of PT Intellect Design Arena do not contain any incorrect information or material facts, nor do they omit information or material facts; and
4. I am responsible for the internal control system of PT Intellect Design Arena.

This statement is made truthfully.

For and on behalf of the Board of Directors



Philo Dellano
Director

May 31, 2022

PT. Intellect Design Arena

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Independent Auditor's Report

Report No. 00757/2.1051/AU.1/06/1091-1/1/V/2022

The Shareholders, Commissioner and Director
PT INTELLECT DESIGN ARENA

We have audited the accompanying financial statements of PT Intellect Design Arena, which comprise the statement of financial position as of March 31, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in capital deficiency and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PT Intellect Design Arena as of March 31, 2022, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Emphasis of matter

We bring attention to Note 22 to the accompanying financial statements, which discloses that PT Intellect Design Arena incurred comprehensive losses in previous years which resulted to accumulated deficit amounting to Rp 3,791,248,452 and capital deficiency amounting to Rp 500,404,452 as of March 31, 2022. Furthermore, PT Intellect Design Arena's total current liabilities exceeded total current assets by 1,347,443,403, and has sustained shortage on cash flows from operating activities. These conditions, along with other matters as set forth in Note 22, indicate the existence of a material uncertainty that may cast significant doubt on the ability of PT Intellect Design Arena to continue as a going concern. Management's plan in regards of these matters has also been disclosed in Note 22 to the accompanying financial statements.

KOSASIH, NURDIYAMAN, MULYADI, TJAHJO & REKAN



Heru Kusdandaru

Public Accountant License No. AP. 1091

May 31, 2022



00757

PT INTELLECT DESIGN ARENA
STATEMENT OF FINANCIAL POSITION
As of March 31, 2022
(Expressed in Rupiah, unless otherwise stated)

| | <u>Notes</u> | <u>2022</u> | <u>2021</u> |
|---|--------------|-----------------------|------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash in bank | 4 | 1,232,325,566 | 2,187,121,419 |
| Trade receivables - third parties | 5 | 4,021,788,142 | 4,502,753,176 |
| Contract assets | 6,18 | 25,284,395,406 | 14,078,996,696 |
| Prepaid expense | | 10,694,346 | 3,381,276 |
| Advances | | 10,051,150 | 53,000,000 |
| Prepaid tax | 11 | 1,126,650,753 | 235,520,335 |
| Total Current Assets | | 31,685,905,363 | 21,060,772,902 |
| NON-CURRENT ASSETS | | | |
| Claim for tax refund | 11 | - | 59,899,977 |
| Deferred tax assets - net | 11 | 445,988,834 | 268,369,933 |
| Equipment - net | 7 | 84,974,278 | 48,733,333 |
| Right-of-use asset - net | 8 | 328,210,988 | 890,858,397 |
| Security deposits | | 272,226,851 | 272,226,851 |
| Total Non-current Assets | | 1,131,400,951 | 1,540,088,491 |
| TOTAL ASSETS | | 32,817,306,314 | 22,600,861,393 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade payables - third parties | 9 | 2,495,353,793 | 2,458,468,392 |
| Other payables - related parties | 17 | 28,769,180,532 | 21,271,795,158 |
| Accrued expenses | 10 | 1,120,382,505 | 647,780,560 |
| Taxes payable | 11 | 303,408,318 | 33,720,439 |
| Current portion of lease liability | 8 | 345,023,615 | 548,776,669 |
| Total Current Liabilities | | 33,033,348,766 | 24,960,541,218 |
| NON-CURRENT LIABILITIES | | | |
| Employee benefits liability | 16 | 284,362,000 | 45,053,000 |
| Lease liability | 8 | - | 345,023,616 |
| Total Non-current Liabilities | | 284,362,000 | 390,076,616 |
| TOTAL LIABILITIES | | 33,317,710,766 | 25,350,617,834 |
| CAPITAL DEFICIENCY | | | |
| Share capital - Authorized 10,000 shares with Rp 1,209,200 (USD 100) par value per share; Issued and fully paid 2,500 shares as of March 31, 2022 and 2021 | 12 | 3,023,000,000 | 3,023,000,000 |
| Additional paid-in capital | 12 | 267,844,000 | 267,844,000 |
| Accumulated deficit | | (3,791,248,452) | (6,040,600,441) |
| Capital Deficiency | | (500,404,452) | (2,749,756,441) |
| TOTAL LIABILITIES AND CAPITAL DEFICIENCY | | 32,817,306,314 | 22,600,861,393 |

The accompanying notes form an integral part of these financial statements.

PT INTELLECT DESIGN ARENA
STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For The Year Ended March 31, 2022
(Expressed in Rupiah, unless otherwise stated)

| | <u>Notes</u> | <u>2022</u> | <u>2021^{*)}</u> |
|---|--------------|-----------------------------|---------------------------|
| REVENUE FROM CONTRACTS WITH CUSTOMERS | 13 | 22,346,560,442 | 14,997,418,272 |
| COST OF REVENUES | 14 | (17,195,580,613) | (12,433,816,180) |
| GROSS PROFIT | | <u>5,150,979,829</u> | <u>2,563,602,092</u> |
| Operating expenses | 15 | (2,451,830,814) | (1,416,686,219) |
| OPERATING PROFIT | | <u>2,699,149,015</u> | <u>1,146,915,873</u> |
| OTHER EXPENSES | | | |
| Bank charges | | (141,675,784) | (181,012,366) |
| Interest expense | 8 | (61,634,530) | (112,692,479) |
| Loss on foreign exchange - net | | (1,135,535) | (971,942) |
| Tax expense | | (150,000) | (1,207,515)) |
| Others – net | | 32,052,342 | - |
| Total Other Expenses | | <u>(172,543,507)</u> | <u>(295,884,302)</u> |
| PROFIT BEFORE INCOME TAX | | <u>2,526,605,508</u> | <u>851,031,571</u> |
| INCOME TAX BENEFIT (EXPENSE) | 11 | (333,230,839) | 88,470,913 |
| PROFIT FOR THE YEAR | | <u>2,193,374,699</u> | <u>939,502,484</u> |
| OTHER COMPREHENSIVE INCOME | | | |
| Other comprehensive income item not to be reclassified to profit or loss subsequently: | | | |
| Remeasurement of employee benefits liability | 16 | 21,606,000 | 4,883,000 |
| Related income tax | 11 | 34,371,320 | (98,544,050) |
| Other comprehensive income (loss) - net | | <u>55,977,320</u> | <u>(93,661,050)</u> |
| TOTAL COMPREHENSIVE INCOME | | <u><u>2,249,351,989</u></u> | <u><u>845,841,434</u></u> |

^{*)} After reclassification (Note 24)

The accompanying notes form an integral part of these financial statements.

PT INTELLECT DESIGN ARENA
STATEMENT OF CHANGES IN CAPITAL DEFICIENCY
For The Year Ended March 31, 2022
(Expressed in Rupiah, unless otherwise stated)

| | Share Capital (Note 12) | Additional Paid-in Capital (Note 12) | Accumulated Deficit | Capital Deficiency |
|---|----------------------------|--|------------------------|------------------------|
| Balance as of April 1, 2020 | 3,023,000,000 | 267,844,000 | (6,886,441,875) | (3,595,597,875) |
| Profit for the year | - | - | 939,502,484 | 939,502,484 |
| Other comprehensive loss - net of tax | - | - | (93,661,050) | (93,661,050) |
| Balance as of March 31, 2021 | 3,023,000,000 | 267,844,000 | (6,040,600,441) | (2,749,756,441) |
| Profit for the year | - | - | 2,193,374,669 | 2,193,374,669 |
| Other comprehensive income - net of tax | - | - | 55,977,320 | 55,977,320 |
| Balance as of March 31, 2022 | 3,023,000,000 | 267,844,000 | (3,791,428,452) | (500,404,452) |

The accompanying notes form an integral part of these financial statements.

PT INTELLECT DESIGN ARENA
STATEMENT OF CASH FLOWS
For The Year Ended March 31, 2022
(Expressed in Rupiah, unless otherwise stated)

| | Notes | 2022 | 2021 |
|---|-------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before income tax | | 2,526,605,508 | 851,031,571 |
| Adjustments to reconcile income before income tax to net cash provided by operating activities: | | | |
| Employee benefits expense | 16 | 260,915,000 | 20,255,000 |
| Depreciation of right-of-use-assets | 8 | 562,647,409 | 562,647,409 |
| Depreciation of equipment | 7 | 24,755,055 | 18,047,767 |
| Interest expense | 8 | 61,634,530 | 112,692,479 |
| Changes in working capital: | | | |
| Trade receivable - third parties | | 480,965,034 | 2,820,844,721 |
| Contract assets | | (11,205,398,710) | (8,053,103,444) |
| Prepaid expense | | (7,313,070) | (3,381,276) |
| Advances | | 42,948,850 | (7,613,035) |
| Security deposits | | - | (2,740,851) |
| Prepaid tax | | (891,130,418) | 63,600,187 |
| Trade payables - third parties | | 36,885,401 | 2,439,850,262 |
| Other payables - related parties | | 7,497,385,374 | 2,333,732,765 |
| Accrued expenses | | 472,601,948 | 47,458,679 |
| Taxes payable | | 23,267,212 | 32,811,711 |
| Interest paid | 8 | (61,634,530) | (112,692,479) |
| Income tax paid | | (230,057,753) | (59,899,977) |
| Receipt of claim for tax refunds | | 59,899,977 | - |
| Net cash provided from (used in) operating activities | | (345,023,183) | 1,063,541,489 |
| CASH FLOWS FROM INVESTING ACTIVITY | | | |
| Purchases of equipment | 7 | (60,996,000) | (51,600,000) |
| CASH FLOWS FROM FINANCING ACTIVITY | | | |
| Payment of principal portion of lease liability | 8 | (548,776,670) | (497,893,631) |
| NET INCREASE IN CASH IN BANK | | (954,795,853) | 514,047,858 |
| CASH IN BANK AT THE BEGINNING OF THE YEAR | | 2,187,121,419 | 1,673,073,561 |
| CASH IN BANK AT THE END OF THE YEAR | 4 | 1,232,325,566 | 2,187,121,419 |

The accompanying notes form an integral part of these financial statements.

PT INTELLECT DESIGN ARENA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2022 and For The Year Then Ended
(Expressed in Rupiah, unless otherwise stated)

1. GENERAL INFORMATION

Establishment

PT Intellect Design Arena (the "Company") was established in Indonesia on December 16, 2014 based on Notarial Deed No. 04 of Ariana Budiarti Rahayu, S.H., M.Kn. The Notarial Deed was recorded by Investment Coordinating Board with No. 3196/1/IP/PMA/2014 dated March 21, 2019 and was approved by the Ministry of Law and Human Rights in its Decision Letter No. AHU-0052063.AH.01.11.2019, dated March 28, 2019,

In accordance with Article 3 of the Company's Articles of Association, the Company's objectives and scope of activities are to engage in creation, implementation, and maintenance of software and consultation services related to the analysis, design and programming of computer systems.

The Company commenced its operations in February 2015. The Company is domiciled at Menara BCA, 50 Floor, Jl. MH Thamrin No.1, Jakarta Pusat, 10230, Indonesia.

Commissioner, Director and Employees

As of March 31, 2022 and 2021, the composition of the Company's Board of Director and Commissioner are as follows:

| | <u>2022</u> | <u>2021</u> |
|---------------|----------------|----------------|
| Commissioner: | Govind Singhal | Govind Singhal |
| Director: | Philo Dellano | Philo Dellano |

As of March 31, 2022 and 2021, the Company had 6 and 4 employees, respectively (unaudited).

Completion of the financial statements

The management of the Company is responsible for the preparation of these financial statements that were completed and authorized for issue on May 31, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial statements

The financial statements of the Company have been prepared in accordance with Indonesian Financial Accounting Standards ("SAK"), which comprise the Statement of Financial Accounting Standards ("PSAK") and Interpretations of Statement of Financial Accounting Standard ("ISAK") issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants ("DSAK-IAI").

PT INTELLECT DESIGN ARENA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2022 and For The Year Then Ended
(Expressed in Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation of the financial statements (continued)

The accounting policies adopted in the preparation of the financial statements are consistent with those made in the preparation of the Company's financial statements for the year ended March 31, 2021, except for the adoption of several amended SAKs. As disclosed further in the relevant succeeding Notes, several amended and published accounting standards were adopted effective April 1, 2021.

The financial statements, except for the statement of cash flows, have been prepared on the accrual basis using the historical cost basis of accounting, except for certain accounts which are measured on the bases described in the related accounting policies for those accounts.

The statement of cash flows presents receipts and payments of cash and cash equivalents classified into operating, investing and financing activities. The cash flows from operating activities are presented using the indirect method.

The presentation currency used in the preparation of the financial statements is the Indonesian Rupiah, which is the Company's functional currency.

The preparation of financial statements in conformity with Indonesian Financial Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Amendments to standards effective in the current year

The adoption of these new and amended standards and interpretations that are effective beginning January 1, 2021 did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

- Interest Rate Benchmark Reform - Phase 2 (Amendments to PSAK 71 Financial Instruments, PSAK 55 Financial Instruments: Recognition and Measurement, PSAK 60 Financial Instruments: Disclosures, PSAK 62 Insurance Contracts, and PSAK 73 Leases

The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offered rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

- Amendment PSAK 73 – Covid-19 related lease concession

The amendment provides practical expedient to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, by introducing a practical expedient to PSAK 73. The practical expedient permits a lessee to elect not to assess whether a Covid-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change applying PSAK 73 if the change were not a lease modification. The amendment is effective for annual periods beginning on or after June 1, 2020, with early application permitted.

PT INTELLECT DESIGN ARENA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2022 and For The Year Then Ended
(Expressed in Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments/improvements to standards issued not yet adopted

At the date of authorization of these statements, the following standard, interpretation and amendments to PSAK relevant to the Company were issued but not effective, with early application permitted:

Effective for periods beginning on or after April 1, 2021

- PSAK 73 (Amendment) Leases: Covid-19-Related Rent Concessions beyond June 30, 2021

Effective for periods beginning on or after January 1, 2022

- PSAK 57 (Amendment) Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling the Contracts
- 2021 Annual Improvements to PSAK (amendments to PSAK 69 Agriculture, PSAK 71 Financial Instruments, and PSAK 73 Leases)

Effective for periods beginning on or after January 1, 2023

- PSAK 1 (Amendment) Presentation of financial statements: Classification of Liabilities as Current or Non-current
- PSAK 16 (Amendment) Property, Plant and Equipment: Proceeds before Intended Use
- PSAK 25 (Amendment) Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- PSAK 1 (Amendment) Presentation of Financial Statements: Disclosure of Accounting Policies
- PSAK 46 (Amendment) Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

As of the issuance date of the financial statements, the effects of adopting these standards, amendments and interpretations on the financial statements are not known nor reasonably estimable by management.

Current and non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- i) expected to be realised or intended to be sold or consumed in the normal operating cycle,
- ii) held primarily for the purpose of trading,
- iii) expected to be realised within 12 months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

PT INTELLECT DESIGN ARENA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2022 and For The Year Then Ended
(Expressed in Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current and non-current classification (continued)

A liability is current when it is:

- i) expected to be settled in the normal operating cycle,
- ii) held primarily for the purpose of trading,
- iii) due to be settled within twelve months after the reporting period, or
- iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Financial instruments

The Company classifies financial instruments into 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.

Classification

i. Financial assets

Financial assets are classified, at initial recognition, and subsequently measured at (i) amortized cost, (ii) fair value through profit or loss ("FVTPL"), or (iii) fair value through OCI ("FVTOCI").

The Company measures financial assets at amortized 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 on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets consist of cash in bank, trade receivables, contract assets and security deposits classified as financial assets at amortized cost. The Company has no financial assets measured at fair value through profit or loss and through other comprehensive income.

ii. Financial liabilities

The Company classifies its financial liabilities as: (i) financial liabilities at FVTPL or (ii) financial liabilities measured at amortized cost.

The Company's financial liabilities consist of trade payables, other payables, accrued expenses and lease liabilities classified as financial liabilities at amortized cost. The Company has no financial liabilities measured at fair value through profit or loss.

PT INTELLECT DESIGN ARENA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2022 and For The Year Then Ended
(Expressed in Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Recognition and measurement

i. Financial assets

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. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transactions costs. Trade receivables that do not contain a significant financing component or which the Company has applied the practical expedient are measured at the transaction price determined under PSAK 72

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the solely payments of principal and interest (SPPI) testing and it is performed at 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to buy or sell the asset.

Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

ii. Financial liabilities

Issued financial instruments or their components are classified as other financial liabilities, where the substance of the contractual arrangements results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

All the Company's financial liabilities are classified as financial liabilities at amortized cost. The Company has not designated any financial liabilities at FVTPL. After initial recognition, interest-bearing loans and borrowings are subsequently measured at cost using the EIR method. Gains and losses are recognized in the statement of profit or loss and OCI when the liabilities are derecognized as well as through the amortization process using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and other borrowings.

PT INTELLECT DESIGN ARENA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2022 and For The Year Then Ended
(Expressed in Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair values of financial instruments that are actively traded in organized financial markets, if any, are determined by reference to quoted market bid or ask prices at the close of business at the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

When the fair value of the financial instruments not traded in an active market cannot be reliably determined, such financial assets are recognized and measured at their carrying amounts.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses ("ECL") for all debt instruments. ECL 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.

ECL are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 90-days (a 90-days ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL 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.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider 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. Trade receivables is written off when there is low possibility of recovering the contractual cash flow, after all collection efforts have been done and have been fully provided for allowance.

PT INTELLECT DESIGN ARENA
NOTES TO THE FINANCIAL STATEMENTS
As of March 31, 2022 and For The Year Then Ended
(Expressed in Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

i. Financial assets

A financial asset, or where applicable a part of a financial asset or part of a group of similar financial assets, is derecognized when:

- (a) the contractual rights to receive cash flows from the financial asset have expired; or
- (b) the Company has transferred its contractual rights to receive cash flows from the financial asset or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement and either (i) has transferred substantially all the risks and rewards of the financial asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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 (i) the consideration received, including any new asset obtained less any new liability assumed; and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized to profit or loss.

ii. Financial liabilities

A financial liability is derecognized when the obligation specified in the contract is discharged or cancelled or expired.

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, and the difference in the respective carrying amounts is recognized in profit or loss.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Equipment are stated at cost less accumulated depreciation and any impairment loss. Such cost includes the cost of replacing part of the equipment when the cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipments as a replacement if the recognition criteria are met. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in profit or loss as incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

| | Years |
|------------------|-------|
| Computers | 3 |
| Office equipment | 5 |

The carrying value of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the assets is charged to profit or loss in the year the assets is derecognized.

The residual values, estimated useful lives, and depreciation method are reviewed and adjusted, at year end, if necessary

Impairment of non-financial assets

The Company assesses at each annual reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

Management believes that there is no indication of potential impairment in values of non-financial assets as of March 31, 2022 and 2021.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax

Current tax expense is calculated using tax rates that have been enacted or substantively enacted at end of the reporting period, and is provided based on the estimated taxable income for the year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Underpayment or overpayment of corporate income tax are presented as part of current income tax expense in the statement of profit or loss and other comprehensive income.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Current tax (continued)

Amendments to tax obligations are recorded when a tax assessment letter is received. If the Company files an appeal, the Company considers whether it is probable that a taxation authority will accept the appeal and reflect its effect on the Company's tax obligations.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred tax assets are recognized for deductible temporary differences and tax losses carry-forward to the extent that it is probable that taxable income will be available in future years against which the deductible temporary differences and tax losses carry-forward can be utilized.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the benefit of that deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted at the end of reporting period. The related tax effects of the provisions for and/or reversals of all temporary differences during the year, including the effect of change in tax rates, are credited or charged to current period operations, except to the extent that they relate to items previously charged or credited to other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when a legally enforceable right exists to offset current tax assets against current tax liabilities, or the deferred tax assets and the deferred tax liabilities relate to the same taxable entity, or the Company intends to settle its current assets and liabilities on a net basis.

Revenue and expense recognition

Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a service to a customer.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and expense recognition (continued)

Software license and implementation

The Company provides software license and implementation that are bundled together with the sale of license to a customer. The software license and implementation can be obtained from other providers and do not significantly customize or modify the license. Such services are recognized as a performance obligation satisfied over time. Revenue is recognized for these software license and implementation based on the stage of completion. Management has assessed that the stage of completion determined based on progress of services is an appropriate measure of progress towards complete satisfaction of these performance obligations under PSAK 72. Payment for software license and implementation is not due from the customer until the software license and implementation are complete and therefore a contract asset is recognized over the period in which the software license and implementation are performed representing the Company's right to consideration for the services performed to date. This balance was previously recognized as unbilled work in progress.

The Company becomes entitled to invoice the customers from the services rendered based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer will be sent a relevant statement of work signed by a third parties assessor and also invoices for the related milestone payment. The Company will previously have recognized a contract asset for any work performed. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognized to date under the cost-to-cost method then the Company recognizes a contract liability for the difference.

Expenses

Expenses are recognized when incurred (accrual basis).

Lease

As lessee

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate specific to the lessee.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

As lessee (continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of the exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurements of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying assets to the conditions required by the terms and conditions of the lease, a provision is recognized and measured under PSAK 57. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

As lessee (continued)

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | Years |
|----------|-------|
| Building | 2 |

If a lease transfers ownership of the underlying assets or the cost of the right-of-use assets reflects that of the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying assets. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies PSAK 48 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the impairment of assets policy.

Variable rents that do not depend on an index or rate are not included in the measurements of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occur and are included in the line "Operating expenses" in the statement of profit or loss and other comprehensive income.

As a practical expedient, PSAK 73 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currency transactions and balances

The accounting records of the Company are maintained in Rupiah. Transactions denominated in foreign currencies are translated into Rupiah at the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Rupiah using the middle rates of exchange quoted by Bank Indonesia at such dates. Exchange gains and losses arising on foreign currency transactions and on the translation of foreign currency monetary assets and liabilities into Rupiah are recognized in the profit or loss.

The exchange rates used for translation from USD into Rupiah as of March 31, 2022 and 2021 are Rp 14,349 and Rp 16,367, respectively.

Transaction with related parties

A related party is a person or entity that is related to the Company:

- 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transaction with related parties (continued)

- 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).
 - (ii) one entity is an associate or joint venture of the other entity (or 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 parties.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment defined benefit plan for the benefit of employees of either the Company or an entity 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)
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Significant transactions with related parties, whether or not made at similar terms and conditions as those done with third parties, are disclosed in the financial statements.

Employee benefits

Short-term employee benefits

Short term employee benefits are employee benefits which are due for payment within twelve months after the reporting period and recognized when the employees have rendered this related service. Liabilities are recognized when the employee renders services to the Company where all changes in the carrying amount of the liability are recognized in profit or loss.

Defined benefit plan

The Company recognized unfunded employee benefits liability in accordance with Labor Law No. 13/2003 dated March 25, 2003 (the "Labor Law") in 2020 and Government Regulation Number 35 Year 2021 (PP 35/2021) that implement the provisions of Article 81 and Article 185 (b) of Law No. 11/2020 on Job Creation (Cipta Kerja) in 2021. Pension costs under the Company's defined benefit pension plans are determined by periodic actuarial calculation using the projected-unit-credit method and applying the assumptions on discount rate, return on plan assets and annual rate of increase in compensation.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit and surplus. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Defined benefit plan (continued)

All past service costs are recognized at the earlier of when the amendment or curtailment occurs and when the related restructuring or termination costs are recognized.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Company presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Events after reporting period

Events after the reporting period that provide additional information about the Company's position at the reporting period are reflected in the financial statements. Events after the reporting period that are not adjusting events, if any, are disclosed when material to the financial statements.

No adjusting or significant non-adjusting events have occurred between March 31, 2022 and the date of authorization.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company's financial statements requires management to make judgment, estimates and assumptions that affect the reported amounts herein, and the related disclosures at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liability affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

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**3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY (continued)**

Judgments (continued)

Classification of financial assets and financial liabilities

The Company determines the classification of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK 71. Accordingly, the financial assets and financial liabilities are accounted for in accordance with the accounting policies as disclosed in Note 2.

Determination of functional currency

The functional currency of the Company is the currency of the primary economic environment in which each entity operates. It is the currency that mainly influences the expenses. Based on the Company's management assessment, the Company's functional currency is the Indonesian Rupiah.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company's assets and liabilities are recorded on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in spite of the conditions that indicate the existence of a material uncertainty that may cast significant doubt about its ability to continue as a going concern. Therefore, the financial statements continue to be prepared as a going concern basis. Further details are disclosed in Note 22.

Determining the lease term of contracts with renewal and termination options - Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. For lease contracts with extension or termination options, management need to estimate the lease term which requires consideration of all facts and circumstances that creates an economic incentive to exercise an extension option or not to exercise termination options, including any expected changes in facts and circumstances from commencement date until the exercise date of the options. Extension options (or periods after termination options) are only included in lease terms if the Company is reasonably certain to exercise the extension options or not to exercise the termination options. If a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee, the above assessment will be reviewed.

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**3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY (continued)**

Judgments (continued)

Determining the timing of satisfaction of performance obligations

The Company concluded that revenue for services rendered is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Company. The fact that another entity would not need to re-perform the service that the Company has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Company's performance as it performs.

The Company determined that the input method is the best method in measuring progress of the services because there is a direct relationship between the Company's effort (subcontractors cost incurred) and the transfer of service to the customer. The Company recognizes revenue on the basis of the labor hours and other cost expended relative to the total expected labor hours and other cost to complete the service.

Significant increase in credit risk

As explained in Note 19, expected credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PSAK 71 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Estimated useful lives of equipment

The costs of equipment are depreciated or amortized on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these equipment to be 4 to 5 years. These are common life expectancies applied in the industries where the Company conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives of these assets, and therefore future depreciation charges could be revised. The carrying amounts of equipment are disclosed in Note 7.

Income tax

Significant judgment is involved in determining the provision for corporate income tax. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for expected corporate income tax issues based on estimates of whether additional corporate income tax will be due. Further details are disclosed in Note 11.

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**3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY (continued)**

Estimates and assumptions (continued)

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Company had accumulated tax losses and temporary differences amounting to nil and Rp 1,188,310,724, as of March 31, 2022 and 2021, respectively, for which deferred income tax is not recognized. Further details are disclosed in Note 11.

Employee benefits

The determination of the Company's obligations and cost for employee benefits liability is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turn-over rate, disability rate, retirement age and mortality rate. Actual results that differ from the Company's assumptions are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period which they occur. While the Company believes that its assumptions are reasonable and appropriate, significant differences in the Company's actual results or significant changes in the Company's assumptions may materially affect its estimated liability for employee benefits and net employee benefits expense. The carrying amount of the employee benefits obligation are disclosed in Note 16.

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 (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed 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. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in Notes 5 and Note 6.

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3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimates and assumptions (continued)

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Estimating the IBR for leases

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates)

4. CASH IN BANK

| | 2022 | 2021 |
|---|---------------|---------------|
| The Hongkong and Shanghai Banking Corporation Rupiah | 1,232,325,566 | 2,187,121,419 |

5. TRADE RECEIVABLE - THIRD PARTIES

| | 2022 | 2021 |
|---|----------------------|----------------------|
| PT Bank Rakyat Indonesia (Persero) Tbk. | 3,946,349,000 | 4,502,753,176 |
| PT Metrocom Global Solutions | 75,439,142 | - |
| Total | 4,021,788,142 | 4,502,753,176 |

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5. TRADE RECEIVABLE - THIRD PARTIES (continued)

Movements in the Company's allowance for ECLs of trade receivables are as follows:

| | 2022 | | | | | Total |
|---------------------------------------|--------------|-----------|--------------|--------------------|----------------------|----------------------|
| | Not past due | < 30 days | 31 – 60 days | 61 – 90 days | > 91 days | |
| Expected credit loss rate | 0% | 0% | 0% | 0% | 0% | 0% |
| Estimated total gross carrying amount | - | - | - | 317,724,000 | 3,704,064,142 | 4,021,788,142 |
| Lifetime ECL | - | - | - | - | - | - |
| Net | - | - | - | 317,724,000 | 3,704,064,142 | 4,021,788,142 |

| | 2021 | | | | | Total |
|---------------------------------------|--------------|-----------|--------------|----------------------|-----------|----------------------|
| | Not past due | < 30 days | 31 – 60 days | 61 – 90 days | > 91 days | |
| Expected credit loss rate | 0% | 0% | 0% | 0% | 0% | 0% |
| Estimated total gross carrying amount | - | - | - | 4,502,753,176 | - | 4,502,753,176 |
| Lifetime ECL | - | - | - | - | - | - |
| Net | - | - | - | 4,502,753,176 | - | 4,502,753,176 |

The Company believes all trade receivables are collectible and assesses that provision for expected credit loss (ECL) as of June 30, 2021 was nil.

6. CONTRACT ASSETS

| | 2022 | 2021 |
|-------------------------------------|----------------|----------------|
| Software license and implementation | 25,284,395,406 | 14,078,996,696 |

Amounts relating to software license and implementation are balances due from customers under software license and implementation from customers that arise when the Company billed to customers in line with a series of performance-related milestones. Any amount previously recognized as a contract asset is reclassified to trade receivable at the point at which it is invoiced to the customer. Management believes all contract assets are collectible and assesses that provision for expected credit loss (ECL) has no material impact on the amounts reported for the current financial periods, therefore, allowance for ECLs of contract assets were not provided as of March 31, 2022 and March 31, 2021.

7. EQUIPMENT

| March 31, 2022 | Beginning Balance | Additions | Ending Balance |
|---------------------------------|-------------------|-------------------|--------------------|
| Cost | | | |
| Computers | 60,099,000 | 60,996,000 | 121,095,000 |
| Office equipment | 25,594,000 | - | 25,594,000 |
| Total | 85,693,000 | 60,996,000 | 146,689,000 |
| Accumulated Depreciation | | | |
| Computers | 11,365,667 | 24,755,055 | 36,120,722 |
| Office equipment | 25,594,000 | - | 25,594,000 |
| Total | 36,959,667 | 24,755,055 | 61,714,722 |
| Net Book Value | 48,733,333 | | 84,974,278 |

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7. EQUIPMENT (continued)

| March 31, 2021 | Beginning Balance | Additions | Ending Balance |
|---------------------------------|----------------------|-------------------|-------------------|
| Cost | | | |
| Computers | 8,499,000 | 51,600,000 | 60,099,000 |
| Office equipment | 25,594,000 | - | 25,594,000 |
| Total | 34,093,000 | 51,600,000 | 85,693,000 |
| Accumulated Depreciation | | | |
| Computers | 8,499,000 | 2,866,667 | 11,365,667 |
| Office equipment | 10,412,900 | 15,181,100 | 25,594,000 |
| Total | 18,911,900 | 18,047,767 | 36,959,667 |
| Net Book Value | 15,181,100 | | 48,733,333 |

Depreciation charged to operating expenses amounted to Rp 24,755,055 and Rp 18,047,767 in 2022 and 2021, respectively (Note 15). As of March 31, 2022 and 2021, equipment are not yet insured by the Company against fire and other risks. Based on review of the Company's management, there are no changes in conditions that indicate any impairment value of equipment as of March 31, 2022 and 2021.

8. LEASES

The Company has a lease contract for buildings used in its operations. Leases of a building (office space) generally have lease terms 2 years. Generally, the Company is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

| March 31, 2022 | Beginning Balance | Additions | Ending Balance |
|---------------------------------|----------------------|---------------|--------------------|
| Cost | | | |
| Building | 1,453,505,806 | - | 1,453,505,806 |
| Accumulated Depreciation | | | |
| Building | (562,647,409) | (562,647,409) | (1,125,294,818) |
| Net Book Value | 890,858,397 | | 328,210,988 |

| March 31, 2021 | Beginning Balance | Impact of Application PSAK 73 Implementation (Note 21) | Additions | Ending Balance |
|---------------------------------|----------------------|--|---------------|--------------------|
| Cost | | | | |
| Building | - | 1,453,505,806 | - | 1,453,505,806 |
| Accumulated Depreciation | | | | |
| Building | - | - | (562,647,409) | (562,647,409) |
| Net Book Value | - | | | 890,858,397 |

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8. LEASES (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

| | 2022 | 2021 |
|--|--------------------|--------------------|
| As at April 1 | 893,800,285 | - |
| Impact of PSAK 73 implementation (Note 21) | - | 1,391,693,916 |
| Accretion of interest | 61,634,530 | 112,692,479 |
| Payment | | |
| Principal | (548,776,670) | (497,893,631) |
| Interest | (61,634,530) | (112,692,479) |
| As at March 31 | 345,023,615 | 893,800,285 |
| Current | 345,023,615 | 548,776,669 |
| Non-current | - | 345,023,616 |

The following are the amounts recognised in profit or loss:

| | 2022 | 2021 |
|---|--------------------|--------------------|
| Depreciation expense of right-of-use assets (Note 15) | 562,647,409 | 562,647,409 |
| Interest expenses on lease liabilities | 61,634,530 | 112,692,479 |
| Total | 624,281,939 | 675,339,888 |

The Company had total cash outflows for leases of Rp 610,411,200 and Rp 610,586,110 in 2022 and 2021, respectively. The Company also had non-cash additions to right-of-use assets amounting to nil and Rp 1,453,505,806 in 2022 and 2021, respectively.

The maturity analysis of lease liabilities is disclosed in Note 20.

9. TRADE PAYABLES

| | 2022 | 2021 |
|------------------------------|----------------------|----------------------|
| PT IDX Consulting | 920,896,770 | 689,658,303 |
| PT Camar Mitra Usaha Lestari | 702,038,082 | 755,980,189 |
| PT Indonesian Cloud | 636,994,262 | 994,211,770 |
| Others | 235,424,679 | 18,618,130 |
| Total | 2,495,353,793 | 2,458,468,392 |

10. ACCRUED EXPENSES

| | 2022 | 2021 |
|-------------------------|----------------------|--------------------|
| Salaries and incentives | 908,997,169 | 453,322,230 |
| Professional fees | 204,513,333 | 173,808,333 |
| Others | 6,872,003 | 20,649,997 |
| Total | 1,120,382,505 | 647,780,560 |

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11. TAXATION

(a) Prepaid tax represents value added tax amounting to Rp 1,126,650,753 and Rp 235,520,335 as of March 31, 2022 and 2021, respectively.

(b) Taxes payable consists of the following:

| | 2022 | 2021 |
|---------------|--------------------|-------------------|
| Income taxes: | | |
| Article 29 | 246,420,667 | - |
| Article 21 | 51,366,054 | 28,498,939 |
| Article 23 | 5,511,597 | 5,111,500 |
| Article 4 (2) | 110,000 | 110,000 |
| Total | 303,408,318 | 33,720,439 |

(c) The reconciliation between income before income tax as shown in the statement of profit or loss and other comprehensive income and estimated fiscal loss for the years ended March 31, 2022 and 2021 were as follows:

| | 2022 | 2021 |
|---|----------------------|------------------------|
| Profit before income tax per statement of profit or loss and other comprehensive income | 2,526,605,508 | 851,031,571 |
| Temporary differences: | | |
| Salaries, remuneration and incentives | 455,674,943 | 78,982,163 |
| Employee benefits | 260,915,000 | 20,255,000 |
| Professional charges | - | (37,575,004) |
| Depreciation of right-of-use assets and interest expense | 13,870,739 | 53,809,488 |
| Depreciation of equipment | (7,103,306) | 15,897,767 |
| Sub total | 723,357,376 | 131,369,414 |
| Permanent differences: | | |
| Business promotion | - | 12,384,000 |
| Staff welfare | 82,133,897 | 30,060,563 |
| Office maintenance | - | 256,000 |
| Communication | 6,020,100 | 3,671,903 |
| Health insurance | 15,855,001 | 9,019,918 |
| Tax expenses | 150,000 | 1,207,516 |
| Sub total | 104,158,998 | 56,599,900 |
| Estimated taxable income of the Company | 3,354,121,882 | 1,039,000,885 |
| Fiscal losses carry forward: | | |
| Year 2019 | (1,188,310,724) | (1,746,955,003) |
| Year 2017 | - | (480,356,606) |
| Taxable income (accumulated fiscal losses) | 2,165,811,158 | (1,188,310,724) |

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11. TAXATION (continued)

- (c) The reconciliation between income before income tax as shown in the statement of profit or loss and other comprehensive income and estimated fiscal loss for the years ended March 31, 2022 and 2021 were as follows: (continued)

| | 2022 | 2021 |
|--|----------------------|------------------------|
| Taxable income (accumulated fiscal losses) | 2,165,811,158 | (1,188,310,724) |
| Taxable income (rounding) | 2,165,811,000 | - |
| Current tax expense | 476,478,420 | - |
| Prepayments of income tax article 23 | (230,057,753) | (59,899,977) |
| Current tax payable (estimated claim from tax refund) | 246,420,667 | (59,899,977) |

The fiscal losses can be utilized against the taxable income for a period of five years subsequent to the year the fiscal loss was incurred.

- (d) The tax on Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits on the entity as follows:

| | 2022 | 2021 |
|---|--------------------|---------------------|
| Income before tax benefit | 2,265,605,508 | 851,031,571 |
| Estimated income tax at marginal rate (22% in 2022 and 2021) | 555,853,213 | 187,226,946 |
| Tax effect of: | | |
| Permanent differences - non-deductable expenses | 22,914,944 | 12,451,978 |
| Adjustment due to change in tax rate | 12,287,647 | (63,864,284) |
| Adjustment due to difference in tax rate applied | | 723,056 |
| Unrecognized deferred tax assets from temporary difference | 3,051,562 | 3,571,586 |
| Utilization of unrecognized deferred tax assets from tax loss | (261,428,360) | (228,580,195) |
| Current year adjustments | 551,833 | - |
| Total tax expense | 333,230,839 | (88,470,913) |

- (e) Income tax expense

| | 2022 | 2021 |
|--|----------------------|-------------------|
| Current tax expenses | (476,478,420) | - |
| Deferred tax expense: | | |
| Deferred tax relating to origination and reversal of temporary differences | 156,087,061 | 24,606,629 |
| Adjustments to deferred tax attributable to changes in tax rates | (12,287,647) | 63,864,284 |
| Current year adjustments | (551,833) | - |
| Total tax expense | (333,230,839) | 88,470,913 |

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11. TAXATION (continued)

(f) The details of deferred tax assets and liabilities are as follows:

| | 2021 | Credited (charged) to profit or loss | Effect of changes in tax rates to profit or loss | Charged to other comprehensive income | Effect of changes in tax rates to other comprehensive income | Current year adjustments | 2022 |
|---|--------------------|--|---|---|--|-----------------------------|--------------------|
| Deferred tax assets - net | | | | | | | |
| Accrued salaries, remuneration and incentives | 259,216,000 | 100,248,488 | 25,921,600 | - | - | - | 385,386,088 |
| Employee benefit | 9,010,600 | 57,401,300 | (38,223,580) | (4,753,320) | 39,124,640 | - | 62,559,640 |
| Equipment | 143,333 | (1,503,602) | 14,333 | - | - | (551,833) | (1,897,769) |
| Net | 268,369,933 | 156,087,061 | (12,287,647) | (4,753,320) | 39,124,640 | (551,833) | 445,988,834 |

| | 2020 | Credited to profit or loss | Effect of changes in tax rates to profit or loss | Charged to other comprehensive income | Effect of changes in tax rates to other comprehensive income | 2021 |
|---|--------------------|----------------------------------|---|---|--|--------------------|
| Deferred tax assets - net | | | | | | |
| Accrued salaries, remuneration and incentives | 274,818,095 | 17,376,076 | (32,978,171) | - | - | 259,216,000 |
| Employee benefit | 7,420,250 | 4,051,000 | 96,083,400 | (976,600) | (97,567,450) | 9,010,600 |
| Equipment | (3,795,275) | 3,179,553 | 759,055 | - | - | 143,333 |
| Net | 278,443,070 | 24,606,629 | 63,864,284 | (976,600) | (97,567,450) | 268,369,933 |

Changes in corporate tax rates

On March 31, 2020, as part of the economic stimulus protection against the impact of Covid-19, the government of the Republic of Indonesia announced Government Regulation in Lieu of Acts ("Perpu") No. 1 Year 2020 Regarding State Financial Policy and Financial System Stability for Handling of Corona Virus Disease-19 (Covid-19) Pandemic and/or in Order to Counter Threats which are Dangerous to National Economy and/or Financial System Stability. On May 18, 2020, Perpu No. 1 Year 2020 has been legalized as Law ("UU") No. 2 Year 2020.

Law No. 2 Year 2020 regulates, among others, a decrease in the corporate tax rate as follows:

- For fiscal years 2020 and 2021: from 25% to 22%;
- Starting fiscal year 2022: from 22% to 20%;
- Domestic public listed companies that fulfill certain additional criteria will be eligible for a tax rate which is lower by 3% from the abovementioned tax rates.

In October 2021, the Government of Indonesia approved the Law No. 7 Year 2021 ("Law No.7/2021") related to harmonization of tax regulations. Some purposes of Law No.7/2021 are to increase sustainable economic growth and support the acceleration of economic recovery, realize a tax system that is more just with legal certainty, implement administrative reforms, taxation policies, and expansion of the tax base, as well as increasing tax payer voluntary compliance.

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11. TAXATION (continued)

Some changes in tax regulations from the implementation of Law No.7/2021, among others, as follows:

- a. The application of the corporate income tax rate to 22% starting from the 2022 Fiscal Year, and for domestic public listed companies that fulfill certain additional criteria will be eligible for a tax rate which is lower by 3% from the above mentioned tax rate;
- b. VAT rate increase from 10% to 11% which will take effect on April 1, 2022, then to 12% which will take effect no later than January 1, 2025;
- c. Simplification of VAT using final rate for certain taxable goods or services which also applies from April 1, 2022;
- d. Voluntary disclosure program for corporate tax payers for the period January 1 – June 30, 2022, on the basis of assets acquired during January 1, 1985 – December 31, 2015 which were not disclosed when participating in the previous tax amnesty program.

12. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

The Company's shareholders and their ownership as of March 31, 2022 and 2021 are as follows:

| Shareholders | Number of shares | Percentage of ownership | Amount |
|--|------------------|-------------------------|----------------------|
| Intellect Design Arena Pte. Ltd., Singapore | 2,490 | 99.60% | 3,010,908,000 |
| Govind Singhal | 10 | 0.40% | 12,092,000 |
| Total | 2,500 | 100.00% | 3,023,000,000 |

Additional paid-in capital resulted from the difference in exchange rate stated in the Company's Articles of Association and the actual exchange rate on the date the share capital contribution was paid by the shareholders amounting to Rp 267,844,000 as of March 31, 2022 and 2021.

13. REVENUE FROM CONTRACT WITH CUSTOMERS

| | 2022 | 2021 |
|---------------------------|-----------------------|-----------------------|
| Third parties | | |
| Sales of implementation | 20,322,220,442 | 2,616,218,272 |
| Sales of software license | 2,024,340,000 | 12,381,200,000 |
| Total | 22,346,560,442 | 14,997,418,272 |

14. COST OF REVENUES

| | 2022 | 2021 |
|-------------------------------------|----------------|----------------|
| Software license and implementation | 17,195,580,613 | 12,433,816,180 |

Implementation pertains to services rendered to update and modify the licensed software and tailor to client specification.

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15. OPERATING EXPENSES

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Depreciation of right of use assets (Note 8) | 562,647,409 | 562,647,409 |
| Sales incentive | 494,315,199 | 118,676,119 |
| Professional fee | 287,584,001 | 316,310,886 |
| Travel and accommodation | 265,165,679 | 97,938,102 |
| Employee benefits (Note 16) | 260,915,000 | 20,255,000 |
| Insurance – staff | 256,287,817 | 9,019,918 |
| Social security cost | 165,369,920 | 31,435,934 |
| Communication | 50,347,406 | 7,507,429 |
| Business promotion | 45,664,586 | 159,731,853 |
| Depreciation of equipment (Note 7) | 24,755,055 | 18,047,767 |
| Salaries and remuneration | 22,038,906 | 25,908,783 |
| Others | 16,739,836 | 49,207,019 |
| Total operating expenses | 2,451,830,814 | 1,416,686,219 |

16. EMPLOYEE BENEFITS

The employee benefits liability was calculated in accordance with the Labor Law No. 13/2003 dated March 25, 2003 (the “Labor Law”) in 2020 and Government Regulation Number 35 Year 2021 (PP 35/2021) that implement the provisions of Article 81 and Article 185 (b) of Law No. 11/2020 on Job Creation (Cipta Kerja) in 2021. The benefits are unfunded. The following tables summarize the components of net benefits expense recognized in the statement of profit or loss and other comprehensive income and the amounts recognized in the statement of financial position for the employee benefits liability as calculated by an independent actuary, PT Milliman Indonesia, in its report dated April 15, 2022 for the year ended March 31, 2022 and April 16, 2021 for the year ended March 31, 2021.

The actuarial calculation used the “Projected Unit Credit” method with the following assumptions:

| | 2022 | 2021 |
|------------------------|--------------------------|--------------------------|
| Discount rate | 7,25% | 7.75% |
| Future salary increase | 7,00% | 7.00% |
| Mortality rate table | TMI IV 2019 | TMI IV 2019 |
| Retirement age | 55 years old | 55 years old |
| Method | Projected Unit Credit | Projected Unit Credit |

a. The details of employee benefits expense recognized in profit or loss is as follows:

| | 2022 | 2021 |
|----------------------|--------------------|-------------------|
| Current service cost | 257,423,000 | 25,974,000 |
| Past service cost | - | (8,301,000) |
| Interest cost | 3,492,000 | 2,582,000 |
| Total | 260,915,000 | 20,255,000 |

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16. EMPLOYEE BENEFITS (continued)

b. The details of employee benefits liability are as follows:

| | 2022 | 2021 |
|-------------------------------------|--------------------|-------------------|
| Present value of benefit obligation | 284,362,000 | 45,053,000 |

c. The movement of present value of benefit obligation are as follows:

| | 2022 | 2021 |
|--|--------------------|-------------------|
| Beginning | 45,053,000 | 29,681,000 |
| Current service cost | 257,423,000 | 25,974,000 |
| Interest cost | 3,492,000 | 2,582,000 |
| Past service cost | - | (8,301,000) |
| Remeasurements: | | |
| Effects of changes in financial assumption | 29,310,000 | (4,603,000) |
| Effects of experience adjustments | (50,916,000) | (280,000) |
| Total | 284,362,000 | 45,053,000 |

d. The maturity of defined benefits obligation is as follows:

| | 2022 | 2021 |
|---------------------------|---------------|---------------|
| Within the next 12 months | 2,114,000 | 614,000 |
| Between 2 and 5 years | 41,257,000 | 9,513,000 |
| Between 5 and 10 years | 3,791,295,000 | 39,901,000 |
| More than 10 years | 7,540,174,000 | 5,197,121,000 |

Weighted average duration of the defined benefits obligation at the end of reporting period is 14.6 years in 2022 and 14.1 years in 2021.

e. As of March 31, 2022, if the discount rate is higher by 1 percent with all other variables held constant, the present value of defined benefits obligation would have been Rp 28,366,000 lower, while if the discount rate is lower by 1 percent, the present value of defined benefits obligation would have been Rp 32,549,000 higher.

The Company's management has reviewed the assumptions used and agreed that these assumptions are adequate. Management believes that the liability for employee benefits is sufficient to cover the Company's employee benefits obligation.

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17. TRANSACTIONS AND RELATIONSHIPS WITH RELATED PARTIES

The Company's holding company is Intellect Design Arena, Pte., Ltd. (domiciled in Singapore), which owns 99.60% of the Company's shares. The ultimate parent and controlling party of the Company is Intellect Design Arena Ltd. (domiciled in India).

(a) Significant agreement

On October 1, 2017, the Company entered into an Intercompany Agreement with Intellect Design Arena Ltd., India ("IDA India"), in which the Company agreed to pay IDA India licenses fees equal to 70% of the transaction value generated from the sale or license of the Licensed Product by IDA India and implementation fee equal to 90% of the billing value generated from the end users for the implementation support. Period of this agreement is 3 years effective from effective date and shall be renewed for an additional period of 3 years at the option of the Company.

On April 1, 2019, the Company amended the original Intercompany Agreement with IDA, India the Licence free equal to 70% and Implementation Free Equal to 90%. The transfer pricing between the related party is agreed at 3.5% return on income after tax for year ending 31 mar 2020, 8.5% for year ding 31 Mar-21 and 11,4% for year ending 31 Mar 2022 .

Expenses recognized related to this agreement are presented as part of the Company's cost of revenues amounted to Rp 12.576.530.206 for the year ended March 31, 2022 and Rp 8,416,671,454 for the year ended March 31, 2021. Outstanding balance from this transaction is presented in the other payable account.

(b) Transaction with related parties

In the normal course of business, the Company engaged in transactions with related parties. The Company's transactions with related parties consist of:

| | 2022 | 2021 |
|--|-----------------------|-----------------------|
| <u>Other payables</u> | | |
| Licensing and implementation payable to Intellect Design Arena Ltd., India | 28,727,519,282 | 21,230,133,908 |
| Expense paid on behalf by Intellect Design Arena Ltd., India | 41,661,250 | 41,661,250 |
| Total | 28,769,180,532 | 21,271,795,158 |
| Percentage to total liabilities | 86.35% | 83.91% |

(c) Nature of relationship and transaction

The following table is a summary of related parties and the nature of their relationship within the Company:

| Related party | Nature of Relationship |
|---|-------------------------------|
| Intellect Design Arena Pte. Ltd., Singapore | Shareholder |
| Intellect Design Arena Ltd., India | Ultimate parent |

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17. TRANSACTIONS AND RELATIONSHIPS WITH RELATED PARTIES (continued)

(d) Key management compensation

No compensation was paid to key management for employee services in 2022 and 2021, respectively.

18. SIGNIFICANT AGREEMENT

PT Metrocom Global Solutions

In March 2018, the Company entered into a Framework License Agreement with Bank Indonesia ("BI"), wherein the Company agreed to render banking software and related services for BI's financial services sector, production, DRC (Disaster Recovery Centers), training, cold backup and testing. Total contract cost amounted to Rp 58,000,000,000 through PT Metrocom Global Solutions ("Metrocom") as stated in the Letter of Appointment of Implementation Core Banking System between BI and Metrocom dated November 6, 2017 No. 19/133/DPS/Srt/B. In the event the Company is required to step-in place of Metrocom under the terms of the letter, the Company shall invoice BI directly for license fees, customization and implementation of licensed software and maintenance services as payable at the time of such step-in and thereafter for the term of the agreement. Project still going on and received various addendum as below.

In November 17, 2017, Metrocom sub-contracted the original contract to the Company as per purchase order agreement No. MGS/PO/XI-17/540. Scope of work and terms of payment will be the same as the original contract between Metrocom and BI. Total sub-contract cost amounted to Rp 47,692,799.999.

In April 2018, amendment to original contract was agreed as per addendum No. 125.A-Add/MGS-Intellect/Legal/IV/2020. Additional work has been requested by BI through Metrocom and was sub-contracted to the Company with total additional contract cost of Rp 5,622,395,570. The amendment was sub-contracted to the Company for Rp 4,344,987,296.

PT Bank Pembangunan Daerah Jawa Barat dan Banten, Tbk.

In June 2020, the Company entered into a Procurement of BJB Bank Digital Core Platform, wherein the Company agreed to render banking software and related services for BJB's financial development, production, DRC (Disaster Recovery Centers), training, cold backup and testing. Total contract cost amounted to Rp 14,300,000,000.

PT Bank Rakyat Indonesia, Tbk

In July 2020, the Company entered into a Procurement of Wealth Management Platform, wherein the Company agreed to render banking software and related services for BRI's financial development, production, DRC (Disaster Recovery Centers), training, cold backup and testing. Total contract cost amounted to Rp 30,910,180,700.

All the amounts mentioned above are inclusive of 10% VAT

All of these agreements are project based, hence agreement get automatically extended until project is fully completed

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18. SIGNIFICANT AGREEMENT (continued)

The table below shows the amount of revenue and contract assets as of and for the year ended March 31, 2022 and 2021:

| Customers | 2022 | | 2021 | |
|--|-----------------------|-----------------------------|-----------------------|-----------------------------|
| | Revenue (Note 13) | Contract assets (Note 6) | Revenue (Note 13) | Contract assets (Note 6) |
| PT Metrocom Global Solutions | 6,238,925,749 | 6,518,206,665 | 1,965,652,288 | 7,596,546,695 |
| PT Bank Rakyat Indonesia, Tbk | 14,372,134,693 | 12,969,488,741 | 4,420,565,984 | 471,250,000 |
| PT Bank Pembangunan Daerah Jawa Barat dan Banten, Tbk. | 1,735,500,000 | 5,796,700,000 | 8,611,200,000 | 6,011,200,000 |
| Total | 22,346,560,442 | 25,284,395,406 | 14,997,418,272 | 14,078,996,695 |

19. FINANCIAL RISK MANAGEMENT

In its daily business activities, the Company is exposed to risks. The main risks facing by the Company arising from its financial instruments are credit risk, market risk (i.e. interest rate risk and foreign exchange rate risk) and liquidity risk. The core function of the Company's risk management is identify all key risks for the Company, measure these risks and manages the risk positions in accordance with its policies and Company's risk appetite. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

(a) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's counter party fail to fulfill their contractual obligations to the Company. The Company is exposed to credit risk from cash in bank, unbilled receivables and security deposit. The Company transacts only with highly reputable bank.

Overview of the Company's exposure to credit risk

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's exposure to credit risk.

The Company's current credit risk grading framework comprises the following categories:

| Category | Description | Basis for recognizing ECL |
|------------|---|------------------------------------|
| Performing | The counterparty has a low risk of default and does not have any past-due amounts. | 12-month ECL |
| Doubtful | Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition. | Lifetime ECL - not credit-impaired |
| In default | Amount is >90 days past due or there is evidence indicating the asset is credit-impaired. | Lifetime ECL - credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery. | Amount is written off |

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19. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

The table below details the credit quality of the Company's financial assets as well as maximum exposure to credit risk by credit risk rating grades as of March 31, 2022 and 2021:

| Category | External Credit Rating | Internal Credit Rating | 2022 | | | |
|----------------------------|------------------------|------------------------|------------------------------------|-----------------------|----------------|-----------------------|
| | | | 12-month or lifetime ECL | Gross carrying amount | Loss allowance | Net carrying amount |
| Bank balances (Note 4) | AA- | Performing | 12-month ECL | 1,232,325,566 | - | 1,232,325,566 |
| Trade receivables (Note 5) | N/A | i | Lifetime ECL (simplified approach) | 4,021,788,142 | - | 4,021,788,142 |
| Contract assets (Note 6) | N/A | i | Lifetime ECL (simplified approach) | 25,284,395,406 | - | 25,284,395,406 |
| Security deposit | N/A | Performing | 12-month ECL | 272,226,851 | - | 272,226,851 |
| | | | | 30,810,735,965 | - | 30,810,735,965 |
| 2021 | | | | | | |
| Category | External Credit Rating | Internal Credit Rating | 12-month or lifetime ECL | Gross carrying amount | Loss allowance | Net carrying amount |
| Bank balances (Note 4) | AA- | Performing | 12-month ECL | 2,187,121,419 | - | 2,187,121,419 |
| Trade receivables (Note 5) | N/A | i | Lifetime ECL (simplified approach) | 4,502,753,176 | - | 4,502,753,176 |
| Contract assets (Note 6) | N/A | i | Lifetime ECL (simplified approach) | 14,078,996,696 | - | 14,078,996,696 |
| Security deposit | N/A | Performing | 12-month ECL | 272,226,851 | - | 272,226,851 |
| | | | | 21,041,098,142 | - | 21,041,098,142 |

- (i) For trade receivables and contract assets, the Company has applied the simplified approach in PSAK 71 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

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19. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due. The management evaluates and monitors cash inflows and cash outflows to ensure the availability of fund to settle the due obligation.

As of March 31, 2022 and 2021, the financial liabilities consist of accrued expenses, other payables and trade payables due within one year after the reporting period. The lease liability as of March 31, 2022 will mature within 1-2 years.

(c) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support their businesses and maximize shareholder value.

The Company manages their capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the periods presented. The Company's policy is to maintain a healthy capital structure in order to secure access to finance at a reasonable cost.

The table below summarizes the total capital considered by the Company as of March 31, 2022 and 2021:

| | 2022 | 2021 |
|----------------------------|----------------------|----------------------|
| Share capital | 3,023,000,000 | 3,023,000,000 |
| Additional paid-in capital | 267,844,000 | 267,844,000 |
| Total | 3,290,844,000 | 3,290,844,000 |

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20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Categories and classes of financial instruments

| | Financial assets at amortized cost | |
|--|--|-----------------------|
| | 2022 | 2021 |
| Current financial assets | | |
| Cash in bank | 1,232,325,566 | 2,187,121,419 |
| Trade receivables | 4,021,788,142 | 4,502,753,176 |
| Contract assets | 25,284,395,406 | 14,078,996,696 |
| Non-current financial assets | | |
| Security deposit | 272,226,851 | 269,486,000 |
| Total financial assets | 30,810,735,965 | 21,038,357,291 |
| | Financial liabilities at amortized cost | |
| | 2022 | 2021 |
| Current financial liabilities | | |
| Trade payables - third parties | 2,495,353,793 | 2,458,468,392 |
| Other payables - related party | 28,769,180,532 | 21,271,795,158 |
| Accrued expenses | 1,120,382,508 | 647,780,560 |
| Current maturity of lease liability | 345,023,615 | 548,776,669 |
| Non-current financial liabilities | | |
| Lease liability | - | 345,023,616 |
| Total financial liabilities | 32.729.940.448 | 25,271,844,395 |

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

| | 2022 | |
|------------------------------|------------------------|-------------------|
| | Carrying amount | Fair value |
| FINANCIAL LIABILITIES | | |
| Lease liabilities | 392.771.217 | 345,023,615 |

The fair value for which the fair value is disclosed above is based on Level 2. The fair value of the instruments classified as Level 2 calculated using the discounted cash flow method. Market-based rate adjusted by credit risk was used for discounting future cash flows. There were no financial instruments that were measured at amortized cost but for which fair value were disclosed that were classified as Level 3 either in current year or in prior year.

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21. SUPPLEMENTARY INFORMATION FOR CASH FLOWS

Significant non-cash investing activities:

| | <u>2022</u> | <u>2021</u> |
|---|-------------|---------------|
| Implication of PSAK 73 (Note 8): | | |
| Acquisition of right-of-use assets through lease liabilities | - | 1,391,693,916 |
| Acquisition of right-of-use assets from reclassification of prepayments | - | 61,811,889 |

Reconciliation of a liability from financing activity:

| | <u>March 31, 2021</u> | <u>Payments</u> | <u>March 31, 2022</u> |
|-------------------|-----------------------|-----------------|-----------------------|
| Lease liabilities | 893,800,284 | (548,776,669) | 345,023,615 |

| | <u>March 31, 2020</u> | <u>Impact from application of PSAK 73 (Addition of right-of-use assets Through lease liability)</u> | <u>April 1, 2020</u> | <u>Payments</u> | <u>March 31, 2021</u> |
|-------------------|-----------------------|---|----------------------|-----------------|-----------------------|
| Lease liabilities | - | 1,391,693,916 | 1,391,693,916 | (497,893,632) | 893,800,284 |

22. GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As shown in the financial statements, in 2022, the Company has incurred accumulated losses from previous years, which resulted in a capital deficiency as of March 31, 2022 amounting to Rp 500,404,449. Furthermore, as of March 31, 2022, the Company is in net current liability position amounting to Rp 1,347,443,403.

These factors, among others, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In response to the above matters, the Company has sought the continuous financial support of Intellect Design Arena Ltd., Singapore, the immediate holding company, which Intellect Design Arena Ltd., Singapore had agreed to provide for a reasonable period. The Company continues to be prudent in its management and operations to be able to bring the Company into profitable operation by implementing the following measures:

1. To continue the sale of digital banking products
2. To working on prospective customers which may give opportunity business
3. Manage the capital working effectively

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22. GOING CONCERN (continued)

In addition, Intellect Design Arena Ltd., Singapore, the immediate holding company, committed to provide financial support to the Company so as to allow it to meet its maturing obligations as they fall due. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Management believes that the plan as described above will enable them to pay its debts as they fall due for at least the next 12 months. Management is optimistic with the going concern of the Company by maintaining continuous and sustainable business development in the future. Therefore, management has prepared these financial statements on a going concern basis, and do not include any adjustment that may result from the outcome of this uncertainty.

23. ECONOMIC ENVIRONMENT UNCERTAINTY

On March 11, 2020, the World Health Organization (“WHO”) declared the outbreak of corona virus (“Covid-19”) as a global pandemic. This Covid-19 outbreak has caused global and domestic economic slowdown, which in turn affected the operations of the Company. While disruption is expected to be temporary, there is considerable uncertainty around the extent of the impact of Covid-19 on the Company. The extent of these impact will depend on certain future development which cannot be predicted at this moment, including the duration of the spread of the outbreak, economic and social measures that being taken by the government authorities to handle Covid-19 threat, and the impact of these factor to the Company activities. The management is closely monitoring the Company activities. These financial statements do not include any adjustment that might result from the outcome of the aforementioned uncertainty.

24. RECLASSIFICATION OF ACCOUNTS

Certain reclassification have been made to the prior year’s financial statements to enhance comparability with the current year’s financial statements.

As a result, certain line items have been amended in the statements of financial statements. Comparative figures have been reclassified to confirm to the current year’s presentation.

| | <u>Before reclassification</u> | <u>Reclassification</u> | <u>After Reclassification</u> |
|---|------------------------------------|-------------------------|-----------------------------------|
| Statement of profit or loss and other comprehensive income | | | |
| <u>Cost of revenues</u> | | | |
| Software license and implementation | 11,911,765,351 | 522,050,829 | 12,433,816,180 |
| <u>Operating expenses</u> | | | |
| Salaries and numeration | 547,959,612 | (522,050,829) | 25,908,783 |