HLB Atrede

Directors' Statement and
Audited Financial Statements

IBIZ Consulting Pte. Ltd. and its Subsidiaries

(Co. Reg. No. 200715700E)

For the year ended 31 December 2019

IBIZ Consulting Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

General Information

Directors

Satinder Singh Rekhi
Harpreet Rekhi
Gunalan Kalairajan

Secretary

Ng Chee Tiong

Independent Auditor

HLB Atrede LLP

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IBIZ Consulting Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of IBIZ Consulting Pte. Ltd. (the "Company") and its subsidiaries (the "Group") and balance sheet and statement of changes in equity of the Company for financial year ended 31 December 2019.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

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

Satinder Singh Rekhi
Harpreet Rekhi
Gunalan Kalairajan

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations as stated below:

	Holding registered in names of directors		Holdings in which directors are deemed to have an interest	
Name of directors	**At beginning of year**	**At end of year**	**At beginning of year**	**At end of year**
		Ordinary shares		
The Company				
Satinder Singh Rekhi	–	–	1,151,000	1,151,000

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (continued)

Name of directors	Holding registered in names of directors At beginning of year	At end of year	Holdings in which directors are deemed to have an interest At beginning of year	At end of year
	Ordinary shares of Rs. 1 each			
The ultimate holding company - R Systems International Limited				
Satinder Singh Rekhi	3,148,044	3,062,207	21,226,949	20,646,550
Harpreet Rekhi	1,508,452	1,467,277	21,226,949	20,646,550

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of financial year or at the end of financial year.

5. OPTIONS ON SHARES TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

6. OPTIONS EXERCISED

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of options to take up unissued shares.

7. UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

8. INDEPENDENT AUDITOR

The independent auditor, HLB Atrede LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Satinder Singh Rekhi
Director

Gunalan Kalairajan
Director

Singapore

17 JAN 2020

HLB Atrede

Independent Auditor's Report
to the member of IBIZ Consulting Pte. Ltd.
(Co. Reg. No. 200715700E)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IBIZ Consulting Pte. Ltd. (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and of the Company as at 31 December 2019, and the consolidated statement of comprehensive income, statements of changes in equity of the Group and the Company, and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

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Independent Auditor's Report
to the member of IBIZ Consulting Pte. Ltd. – continued
(Co. Reg. No. 200715700E)

Other Information (continued)

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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Independent Auditor's Report
to the member of IBIZ Consulting Pte. Ltd. – continued
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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent Auditor's Report
to the member of IBIZ Consulting Pte. Ltd. – continued
(Co. Reg. No. 200715700E)

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

HLB Atrede LLP
Public Accountants and
Chartered Accountants

Singapore
17 January 2020

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IBIZ Consulting Pte. Ltd. and its Subsidiaries
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Balance Sheets as at 31 December 2019

	Note	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Non-current assets					
Plant and equipment	4	55,781	104,082	24,950	43,257
Investment in subsidiaries	5	–	–	1,213,495	1,064,545
Right of use assets	6	64,410	–	29,020	–
Deferred tax assets	7	–	14,139	–	–
		120,191	118,221	1,267,465	1,107,802
Current assets					
Trade receivables	8	1,983,968	2,201,505	989,070	1,533,175
Other receivables	9	257,911	395,929	48,367	114,798
Contract assets	10	633,890	364,907	572,373	234,029
Amounts due from subsidiary companies	11	–	–	113,410	519,600
Amounts due from related companies	12	125,185	153,840	–	–
Cash and cash equivalents	13	3,084,729	2,557,182	1,077,876	227,443
		6,085,683	5,673,363	2,801,096	2,629,045
Current liabilities					
Trade payables	14	1,433,062	1,494,633	784,620	1,114,614
Other payables	15	733,309	822,241	212,907	294,765
Contract liabilities	16	1,448,578	1,051,092	1,000,586	550,853
Lease liabilities	17	75,729	–	38,922	–
Amounts due to subsidiary companies	11	–	–	406,974	572,010
Tax payable	18	25,365	25,559	–	–
		3,716,043	3,393,525	2,444,009	2,532,242
Net current assets		2,369,640	2,279,838	357,087	96,803
Net assets		2,489,831	2,398,059	1,624,552	1,204,605
Equity attributable to owner of the Company					
Share capital	19	1,151,000	1,151,000	1,151,000	1,151,000
Foreign currency translation reserve	20	128,708	42,140	–	–
Accumulated profits		1,210,023	1,204,919	473,552	53,605
		2,489,731	2,398,059	1,624,552	1,204,605
Non-controlling interest		100	–	–	–
Total equity		2,489,831	2,398,059	1,624,552	1,204,605

The accompanying accounting policies and explanatory notes form an integral part of financial statements.

IBIZ Consulting Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

Consolidated Statement of Comprehensive Income
for the financial year ended 31 December 2019

	Note	2019 $	2018 $
Revenue	21	11,831,035	10,813,621
Other operating income	22	86,585	86,601
		11,917,620	10,900,222
Purchases of licenses/services		(2,915,395)	(2,408,951)
Subcontractor services		(1,255,479)	(1,238,729)
Staff costs	23	(5,653,300)	(5,121,518)
Allowance for expected credit losses		(105,987)	(223,251)
Contract assets written off		(21,450)	(51,683)
Depreciation of plant and equipment		(58,339)	(112,391)
Depreciation of right-of-use assets		(189,085)	–
Finance cost	24	(7,982)	(1,041)
Rental of premises		(89,575)	(286,364)
Reversal for allowance for impairment on trade receivables		453	70,972
Bad debt written off		(433,188)	(430)
Gain on disposal of subsidiary		166,013	–
Other expenses	25	(1,235,381)	(1,079,129)
Profit before tax		118,925	447,707
Income tax expense	26	(105,630)	(37,117)
Profit for the year		13,295	410,590
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		86,568	7,936
Other comprehensive income for the year, net of tax		82,677	7,936
Total comprehensive income for the year		99,863	418,526
Profit attributable to:			
Owner of the Company		13,295	410,590
Total comprehensive income attributable to:			
Owner of the Company		99,863	418,526

The accompanying accounting policies and explanatory notes form an integral part of financial statements.

Statements of Changes in Equity for the financial year ended 31 December 2019

	Share capital $	Foreign currency translation adjustment reserve $	Accumulated profits $	Sub-total $	Non-controlling interest $	Total $
Group						
Balance at 1 January 2018	1,151,000	34,204	794,329	1,979,533	–	1,979,533
Total comprehensive income for the year	–	7,936	410,590	418,526	–	418,526
Balance at 31 December 2018	1,151,000	42,140	1,204,919	2,398,059	–	2,398,059
Effect of adopting new accounting standard [Note 2(a)]	–	–	(8,191)	(8,191)	–	(8,191)
Balance at 1 January 2019 (Restated)	1,151,000	42,140	1,196,728	2,389,868	–	2,389,868
Total comprehensive income for the year	–	86,568	13,295	99,863	–	99,963
Capital injection from non-controlling interest	–	–	–	–	100	100
Balance at 31 December 2019	1,151,000	128,708	1,210,023	2,489,731	100	2,489,831

IBIZ Consulting Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

Statements of Changes in Equity for the financial year ended 31 December 2019 – continued

	Share capital $	Foreign currency translation adjustment reserve $	Accumulated profits $	Total $
Company				
Balance at 1 January 2018	1,151,000	–	56,238	1,207,238
Total comprehensive loss for the year	–	–	(2,633)	(2,633)
Balance at 31 December 2018	1,151,000	–	53,605	1,204,605
Effect of adopting new accounting standard [Note 2(a)]	–	–	(6,921)	(6,921)
Balance at 1 January 2019 (Restated)	1,151,000	–	46,684	1,197,684
Total comprehensive loss for the year	–	–	426,868	426,868
Balance at 31 December 2019	1,151,000	–	473,552	1,624,552

The accompanying accounting policies and explanatory notes form an integral part of financial statements.

IBIZ Consulting Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

Consolidated Cash Flow Statement for the financial year ended 31 December 2019

	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	118,925	447,707
Adjustments for:		
Depreciation of plant and equipment	58,339	112,391
Depreciation of right-of-use asset	189,085	–
Bad debt written off	128,406	430
Contract assets written off	21,450	51,683
Interest income	(120,908)	(15,640)
Interest expenses	7,982	1,041
Allowance for expected credit losses	110,556	223,251
Reversal of allowance for impairment on trade receivables	(453)	(70,972)
Loss on disposal of equipment	–	101
Gain on disposal of subsidiary	(166,013)	–
Currency alignment	81,623	(24,238)
Operating profit before working capital changes	428,992	725,754
(Increase)/decrease in trade and other receivables, contract assets	(281,508)	1,097,727
Increase/(decrease) in trade and other payables, contract liabilities	380,062	(240,637)
Decrease/(increase) in amounts due from related companies	304,182	(153,840)
Cash generated from operations	831,728	1,429,004
Interest paid	–	(1,041)
Interest received	120,908	15,640
Tax paid	(105,825)	(164,852)
Net cash flows from operating activities	846,811	1,278,751
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(16,110)	(75,218)
Capital injection from non-controlling interest	100	–
Net cash outflow on disposal of a subsidiary [Note 5]	(109,316)	–
Net cash flows used in investing activities	(125,326)	(75,218)
CASH FLOWS FROM FINANCING ACTIVITY		
Repayment of lease liabilities	(193,938)	–
Net cash flows used in financing activity	(193,938)	–
Net increase in cash and cash equivalents	527,547	1,203,533
Cash and cash equivalents at beginning of year	2,557,182	1,353,649
Cash and cash equivalents at end of year	3,084,729	2,557,182

The accompanying accounting policies and explanatory notes form an integral part of financial statements.

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

1. CORPORATE INFORMATION

The Company is a private company limited by shares incorporated and domiciled in Singapore.

The Company's immediate and ultimate holding is R Systems (Singapore) Pte Ltd, incorporated in Singapore and R Systems International Limited, incorporated in India and listed on the National Stock Exchange of India Limited and BSE Limited respectively.

The registered office of the Company is located at 2 Jalan Kilang Barat, #04-01 Panasonic Building, Singapore 159346.

The principal activities of the Company are to carry on the business of information technology consulting and general trading.

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ('FRS').

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar (SGD or $) and all values are rounded to the nearest one-dollar unless otherwise stated.

The accounting policies adopted are consistent with those used in the previous financial year except in current financial year, the Group and the Company has adopted all applicable new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new and revised FRS and INT FRS did not result in any changes to the Group and the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

The Group and the Company applied FRS 116 for the first time. The nature and effect of the changes as a result of the adopting of these new accounting standards are described below:

FRS 116 *Leases*

FRS 116 supersedes FRS 117 *Leases,* INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases–Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position. FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

The Group and the Company applied FRS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under FRS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in FRS 116 have not generally been applied to comparative information.

As lessee

Prior to the adoption of FRS 116, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's and the Company's accounting policy on leases after the adoption of FRS 116 is as disclosed in Note 6.

On initial application of FRS 116, the Group and the Company have elected to apply the following practical expedients:

(i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under FRS 17 *Lease* and FRS INT 4 *Determining whether an Arrangement contains a Leases*, the Group and the Company have not reassessed if such contracts contain leases under FRS 116; and

(ii) On a lease-by-lease basis, the Group and the Company have:

   (a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
   (b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
   (c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
   (d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
   (e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) ***Basis of preparation (continued)***

FRS 116 *Leases* (continued)

As lessee (continued)

For leases previously classified as operating leases under FRS 17 on 1 January 2019, the Group and the Company have applied the following transition provisions:

(i) On a lease-by-lease basis, the Group and the Company chose to measure its ROU assets (except for ROU assets which meet the definition of investment property) at a carrying amount as if FRS 116 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 January 2019. For ROU assets which meet the definition of an investment property, the Group and the Company had measured the ROU assets at their fair values at 1 January 2019.
(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.
(iii) The difference between the carrying amounts of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.
(iv) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

The effects of adoption of FRS 116 on the Group's and the Company's financial statements as at 1 January 2019 are as follows:

	Group 1.1.2019 $	**Company 1.1.2019** $
Right-of-use assets	253,495	182,687
Lease liabilities	(261,686)	(189,608)
Accumulated losses	8,191	6,921

When measuring lease liabilities for leases that were classified as operating leases, the Group and the Company discounted lease payments using the applicable incremental borrowing rates at 1 January 2019. The weighted-average rate applied is ranged from 4.35% to 5.25% per annum.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

FRS 116 *Leases* (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	Group $	Company $
Operating lease commitment disclosed as at 31 December 2018	387,654	195,457
Low-value leases	(117,094)	–
Discounting effect using weighted average incremental borrowing rate at 1 January 2019	(9,093)	(5,849)
Currency realigntment	191	–
Lease liabilities recognised as at 1 January 2019	261,658	189,608

Standards issued but not yet effective

The Group and the Company has not adopted the following standards and interpretations that are potentially relevant to the Group and the Company that has been issued but not yet effective:

	Effective date (Annual periods beginning on or after)
Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determine
Amendments to FRS 103: *Definition of a Business*	1 January 2020
Amendments to FRS 1 and FRS 8: *Definition of Material*	1 January 2020
Amendments to FRS 109, FRS 39 and FRS 107: *Interest Rate Benchmark Reform*	1 January 2020
Amendments to References to the Conceptual Framework in FRS Standards, illustrative examples, implementation guidance and FRS Practice Statements	1 January 2020
Revised Conceptual Framework	1 January 2020

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Basis of consolidation and business combination*

(i) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(ii) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Basis of consolidation and business combinations (continued)*

(ii) *Business combinations and goodwill (continued)*

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

(c) *Foreign currency*

The financial statements are presented in Singapore Dollar, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Functional currency (continued)*

(i) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(ii) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(d) *Plant and equipment*

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Plant and equipment (continued)*

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Communication equipment	–	3 years
Furniture and fitting	–	5 years
Computer equipment	–	1 to 3 years
Leasehold improvements	–	3 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

For acquisition and disposals of plant and equipment, depreciation is provided in the month of acquisition and no depreciation is provided in the month of disposal.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(e) *Subsidiaries*

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

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(f) *Leases*

At the inception of the contract, the Company assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Leases (continued)*

– The accounting policy for leases from 1 January 2019

As lessee

- *Right-of-use assets*

The Company recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

- *Lease liabilities*

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Company shall use its incremental borrowing rate.

Lease payments include the following:

- fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantees
- the exercise price of a purchase option that the Company is reasonably certain to exercise the option; and
- payment of penalties for early termination of the lease, unless the Company is reasonably certain not to terminate early.

For contract that contain both lease and non-lease components, the Company allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Company has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) ***Leases (continued)***

– The accounting policy for leases from 1 January 2019 (continued)

As lessee (continued)

- *Lease liabilities (continued)*

  Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

  - there is a change in future lease payments arising from changes in an index or rate;
  - there are changes in the Company's assessment of whether it will exercise an extension option; or
  - there are modification in the scope or the consideration of the lease that was not part of the original term.

  Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- *Short term and low value leases*

  The Company has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

– The accounting policy for leases before 1 January 2019

As lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownerships of the leased are classified as operating leases.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) *Financial instrument*

(i) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provision of the financial instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(ii) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) *Financial instruments (continued)*

(i) *Financial assets (continued)*

Subsequent measurement

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

Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

(iii) *Offsetting of financial instruments*

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

(h) *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is 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 Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) *Impairment of financial assets (continued)*

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(i) significant financial difficulty of the issuer or the borrower;
(ii) a breach of contract, such as a default or past due event;
(iii) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(v) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the procedures for recovery of amounts due.

(i) *Impairment of non-financial assets*

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

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) *Contract balances*

Contract assets

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

Contract liabilities

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

(k) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at bank, and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value. These also include bank overdrafts that form an integral part of the Group's cash management.

(l) *Trade and other payables*

Trade and other payables are non-interest bearing and trade payables are normally settled on 30 to 60 days' terms while other payables have an average term of six months.

(m) *Government grant*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other operating income". Alternatively, they are deducted in reporting the related expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(o) *Employee benefits*

(i) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

In particular, the Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

(ii) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(p) *Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) *Revenue (continued)*

(i) *IT Professional services*

The Group provides IT system implementation and support services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the estimated total man days service to be provided because the customer received and uses the benefits simultaneously. This is determined based on the actual man days service performed relative to the total expected man days services.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Some contracts include multiple deliverables, such as the sale of hardware and license, and implementation supporting services. However, the implementation and support service are simple and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where there are not directly observable, they are estimated based on expected cost plus margin. If contracts include the sale of hardware and license, revenue for the hardware and license is delivered, the legal title has passed and the customer has accepted the hardware and license.

(ii) *Commission income*

Commission income is recognised upon services rendered and for vendors.

(iii) *Interest income*

Interest income is recognised as interest accrues (using the effective interest method) unless collectability is in doubt.

(q) *Taxes*

(i) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) *Taxes (continued)*

(i) *Current income tax (continued)*

Current income taxes are recognised in the profit or loss except to the extent that tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) *Taxes (continued)*

(iii) *Sales tax*

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

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

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

(r) *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and 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 Group or Company or of a parent of the Company.

(b) An entity is related to the Group and 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 party;
  (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 benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
  (vi) The entity is controlled or jointly controlled by a person identified in (a);
  (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities, and disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(i) *Judgement made in applying accounting policies*

In the process of applying the accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

- *Revenue from contracts with customers*

  The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

  For the implementation and commissioning of IT services, revenue is recognised over time based on the actual man days service preformed relative to the total estimated man days to be performed. The estimated man days to be performed are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its similar implementation and commissioning IT services.

(ii) *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 Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

- *Provision for expected credit losses of trade receivables and contract assets*

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

  When calculating ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(ii) *Estimates and assumptions (continued)*

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 8 and Note 10 respectively.

- *Income tax*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. PLANT AND EQUIPMENT

Group	Communication equipment $	Furniture and fitting $	Computer equipment $	Leasehold improvements $	Total $
Cost:					
At 1 January 2018	84,157	53,570	406,309	86,242	630,278
Additions	1,224	12,492	22,906	38,596	75,218
Disposal	–	(290)	–	–	(290)
Written off	–	(5,499)	(20,495)	–	(25,994)
Currency alignment	(136)	(891)	(10,093)	(87)	(11,207)
At 31 December 2018 and 1 January 2019	85,245	59,382	398,627	124,751	668,005
Additions	–	551	15,357	202	16,110
Disposal	(1,451)	(4,261)	(145,646)	(1,183)	(152,541)
Written off	(1,735)	–	(130,143)	–	(131,878)
Currency alignment	(436)	325	(695)	181	(625)
At 31 December 2019	81,623	55,997	137,500	123,951	399,071
Accumulated depreciation:					
At 1 January 2018	64,408	39,487	323,692	61,284	488,871
Charge for the year	16,740	7,743	51,271	36,637	112,391
Disposal	–	(140)	–	–	(140)
Written off	–	(5,499)	(20,355)	–	(25,854)
Currency alignment	(659)	(759)	(9,697)	(230)	(10,971)
At 31 December 2018 and 1 January 2019	80,489	40,832	344,911	97,691	563,923
Charge for the year	3,412	7,144	34,474	13,309	58,339
Disposal	(1,450)	(4,175)	(139,375)	(1,183)	(146,183)
Written off	(1,735)	–	(130,143)	–	(131,878)
Currency alignment	(480)	176	(740)	133	(911)
At 31 December 2019	80,236	43,977	109,127	109,950	343,290
Net carrying amount:					
At 31 December 2018	4,756	18,550	53,716	27,060	104,082
At 31 December 2019	1,387	12,020	28,373	14,001	55,781

4. PLANT AND EQUIPMENT (continued)

Company	Communication equipment $	Furniture and fitting $	Computer equipment $	Leasehold improvements $	Total $
Cost:					
At 1 January 2018	31,839	12,311	89,829	44,777	178,756
Additions	–	–	3,110	–	3,110
At 31 December 2018 and 1 January 2019	31,839	12,311	92,939	44,777	181,866
Additions	–	–	10,483	–	10,483
Written off	–	–	(36,114)	–	(36,114)
At 31 December 2019	31,839	12,311	67,308	44,777	156,235
Accumulated depreciation:					
At 1 January 2018	14,600	2,166	22,713	19,858	59,337
Charge for the year	16,377	3,178	36,395	23,322	79,272
At 31 December 2018 and 1 January 2019	30,977	5,344	59,108	43,180	138,609
Charge for the year	774	3,179	24,004	833	28,790
Written off	–	–	(36,114)	–	(36,114)
At 31 December 2019	31,751	8,523	46,998	44,013	131,285
Net carrying amount:					
At 31 December 2018	862	6,967	33,831	1,597	43,257
At 31 December 2019	88	3,788	20,310	764	24,950

5. INVESTMENT IN SUBSIDIARIES

	Company 2019 $	Company 2018 $
Unquoted shares, at cost	1,473,784	1,324,834
Less: Impairment loss	(260,289)	(260,289)
	1,213,495	1,064,545

Details of the subsidiaries at 31 December 2019 are as follows:

Name and principal activities	Country of incorporation	Cost of investments 2019 $	Cost of investments 2018 $	Proportion (%) of ownership interest 2019 %	Proportion (%) of ownership interest 2018 %
Held by the Company					
IBIZ Consulting Services Pte Ltd (I.T. integrated solution services and I.T. support)	Singapore	799,000	799,000	100	100
IBIZ Consulting Services Sdn. Bhd. (I.T. integrated solution services and I.T. support)	Malaysia	176,675	176,675	100	100
PT. IBIZCS Indonesia (I.T. integrated solution services and I.T. support)	Indonesia	359,250	336,725	99.56	99.56
IBIZ Consultancy Services India Private Limited (I.T. integrated solution services and I.T. support)	India	–	10,575	–	100
IBIZ Consulting Services Limited (I.T. integrated solution services and I.T. support)	Hong Kong	1,859	1,859	100	100
IBIZ Consulting (Thailand) Co., Ltd (Dormant)	Thailand	137,000	–	100	–
Held by direct subsidiary – IBIZ Consulting Services Limited					
IBIZ Consulting Services (Shanghai) Co., Ltd (I.T. integrated solution services and I.T. support)	China	–	–	100	100
		1,473,784	1,324,834		

5. INVESTMENT IN SUBSIDIARIES (continued)

On 21 June 2019, the Company incorporated a wholly owned subsidiary in IBIZ Consulting (Thailand) Co., Ltd for total consideration of $137,000.

During the financial year, due to the changes of regulations in Indonesia for the minimum amount of paid up capital, the Company had contributed additional $22,525 to the paid-up capital of the subsidiary, PT. IBIZCS Indonesia.

Loss of control in a subsidiary held by the Company

On 1 July 2019, the Company disposed IBIZ Consultancy Services India Private Limited to ultimate holding company, R Systems International Limited on 1 July 2019.

The value of assets and liabilities of IBIZ Consultancy Services India Private Limited recorded in the consolidated financial statements as at date of disposed, and the effects of the disposal were:

	Total
	$
Plant equipment	6,416
Trade and other receivables, contract assets	130,262
Cash and cash equivalents	118,639
	255,317
Trade and other payables, contract liabilities	(133,079)
Amounts due to related companies	(275,527)
Total identifiable net liabilities disposed	(153,289)
Cash consideration	9,323
Cash and cash equivalents of the subsidiary	(118,639)
Net cash outflow on disposal of a subsidiary	(109,316)
Gain on disposal:	
Cash received	9,323
Net liabilities derecognised	153,289
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	3,401
Gain on disposal	166,013

6. RIGHT OF USE ASSETS

Group	**Guest house**	**Office**	**Total**
	$	$	$
Cost:			
At 1 January 2019	45,107	453,581	498,688
Addition	–	–	–
At 31 December 2019	45,107	453,581	498,688
Accumulated depreciation:			
At 1 January 2019	7,518	237,675	245,193
Charge for the year	37,589	151,496	189,085
At 31 December 2019	45,107	389,171	434,278
Net carrying amount:			
At 1 January 2019	37,589	215,906	253,495
At 31 December 2019	–	64,410	64,410

Company	**Guest house**	**Office**	**Total**
	$	$	$
Cost:			
At 1 January 2019	45,107	348,235	393,342
Addition	–	–	–
At 31 December 2019	45,107	348,235	393,342
Accumulated depreciation:			
At 1 January 2019	7,518	203,137	210,655
Charge for the year	37,589	116,078	153,667
At 31 December 2019	45,107	319,215	364,322
Net carrying amount:			
At 1 January 2019	37,589	145,098	182,687
At 31 December 2019	–	29,020	29,020

The Group and the Company had entered commercial leases mainly on office premises. The average lease terms are 2 to 3 years (2018: 2 years).

6. RIGHT OF USE ASSETS (continued)

The maturity analysis of lease liabilities are present in Note 17.

	Office leases	
	Group	**Company**
	$	$
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	189,085	153,667
Interest expense on lease liabilities	7,982	5,679
	197,067	159,346

Future cash outflow which are not capitalised in lease liabilities

Extension options

The leases for certain leasehold property contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group and the Company is not reasonably certain to exercise these extension option. The Group and the Company negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group and the Company's operations. The majority of the extension options are exercisable by the Group and the Company and not by the lessor.

7. DEFERRED TAX ASSETS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Deferred tax assets:				
Difference in depreciation	4,241	14,139	4,241	5,708
Capital allowances carry forward	(523)	–	(523)	(523)
Tax losses carry-forward	(33,106)	–	(33,106)	–
Other temporary differences	–	–	–	–
Total deferred tax (liabilities)/assets	(29,388)	14,139	(29,388)	5,185
Deferred tax liabilities/(assets) on temporary differences not recognised	29,388	–	29,388	(5,185)
Balance	–	14,139	–	–

7. DEFERRED TAX ASSETS (continued)

Unrecognised tax losses

As at the end of the reporting period, the Group and Company have unutilised tax losses and capital allowance of approximately $194,000 (2018: $Nil) and $3,077 (2018: $10,390) that are available for offsetting against future taxable profits of the companies in which the losses and capital allowance arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The realisation of these future income tax benefits will only be obtained if the Group and the Company derives future taxable income of a nature and of sufficient amount to enable the tax benefits to be realised and the Group and the Company continues to comply with the conditions imposed by the law.

8. TRADE RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Trade receivables	2,419,528	2,534,195	1,355,570	1,777,674
Less: Allowance for Expected credit losses	(435,560)	(332,690)	(366,500)	(244,499)
	1,983,968	2,201,505	989,070	1,533,175

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represents their fair values on initial recognition.

The Group and the Company assesses at the end of each reporting period whether there is objective evidence that trade and other receivables are impaired. The Group and Company have recognised a loss allowance of 100% against all receivables over 180 days past due because historical experience has indicated that these receivables are generally not recoverable.

8. TRADE RECEIVABLES (continued)

Receivables that are impaired

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach.

	Lifetime ECL not credit impaired
	$
Group	
Balance as at 1 January 2018	207,082
Allowance made for the year	223,251
Amounts recovered during the year	(75,541)
Foreign exchange gain or loss	(22,102)
Balance as at 31 December 2018	332,690
Allowance made for the year	110,556
Amounts recovered during the year	(453)
Foreign exchange gain or loss	(7,233)
Balance as at 31 December 2019	435,560
Company	
Balance as at 1 January 2018	93,694
Allowance made for the year	150,805
Balance as at 31 December 2018	244,499
Allowance made for the year	122,001
Balance as at 31 December 2019	366,500

The Group and the Company uses an allowance matrix to measure the ECLs of trade receivables from individual customers.

8. TRADE RECEIVABLES (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables for individual customers as at 31 December:

	Expected credit loss %	Gross carrying amount $	Impairment loss allowance $	Credit impaired
Group				
2019				
Current (not past due)	0.72	1,178,009	–	No
1 to 90 days past due	0.29	456,899	–	No
90 to 180 days past due	0.66	332,711	–	No
More than 180 days past due	2.00	451,909	(435,560)	Yes
		2,419,528	(435,560)	
2018				
Current (not past due)	0.03	481,506	–	No
1 to 90 days past due	0.04	1,263,862	–	No
90 to 180 days past due	0.11	333,896	–	No
More than 180 days past due	2.00	454,931	(332,690)	Yes
		2,534,195	(332,690)	
Company				
2019				
Current (not past due)	2.34	450,145	–	No
1 to 30 days past due	2.47	90,115	–	No
31 to 60 days past due	4.64	176,921	–	No
61 to 90 days past due	7.00	71,888	–	No
More than 90 days past due	10.09	566,501	(366,500)	Yes
		1,355,570	(366,500)	
2018				
Current (not past due)	0.03	582,771	–	No
1 to 30 days past due	0.04	122,943	–	No
31 to 60 days past due	0.04	261,483	–	No
61 to 90 days past due	0.11	74,641	–	No
More than 90 days past due	2.00	735,833	(244,499)	Yes
		1,777,674	(244,499)	

8. TRADE RECEIVABLES (continued)

Trade receivables are denominated in the following currencies:

	Group 2019	Group 2018	Company 2019	Company 2018
	$	$	$	$
Others	228,703	351,885	–	–
Malaysia Ringgit	499,488	256,723	–	–
Singapore Dollar	932,286	1,319,463	893,701	1,319,182
United States Dollar	323,491	273,434	95,369	213,993
	1,983,968	2,201,505	989,070	1,533,175

9. OTHER RECEIVABLES

	Group 2019	Group 2018	Company 2019	Company 2018
Deposits	63,818	96,386	37,461	39,741
Deferred costs	33,309	32,704	864	–
Prepayments	152,419	52,852	10,042	30,258
Staff advances – interest free	8,365	15,274	–	3,000
Tax recoverable	–	128,337	–	41,799
Sundry receivables	–	70,376	–	–
	257,911	395,929	48,367	114,798

Other receivables are denominated in the following currencies:

	Group 2019	Group 2018	Company 2019	Company 2018
Chinese Renminbi	1,190	1,221	–	–
India Rupee	–	95,920	–	–
Indonesia Rupiah	22,763	26,735	–	–
Malaysia Ringgit	10,769	15,420	–	–
Singapore Dollar	37,461	42,741	37,461	84,540
	72,183	182,037	37,461	84,540

10. CONTRACT ASSETS

Contract assets primarily relate to the right to consideration for work completed but not yet billed at reporting date for services rendered. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company invoices the customer.

There were no significant changes in the contract asset balances during the reporting period.

Management always estimates the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the Technology industry.

10. CONTRACT ASSETS (continued)

The following table provides information about the exposure to credit risk and ECLs for contract assets for individual customers as at 31 December:

	Expected credit loss	Gross carrying amount	Impairment loss allowance	Credit impaired
	%	$	$	
Group				
2019				
Current (not past due)	0.72	335,209	–	No
1 to 90 days past due	0.29	161,604	–	No
90 to 180 days past due	0.66	91,697	–	No
More than 180 days past due	2.00	45,380	–	No
		633,890	–	
2018				
Current (not past due)	0.03	153,644	–	No
1 to 90 days past due	0.04	137,355	–	No
90 to 180 days past due	0.11	34,589	–	No
More than 180 days past due	2.00	39,319	–	No
		364,907	–	
Company				
2019				
Current (not past due)	0.72	287,104	–	No
1 to 90 days past due	0.29	155,725	–	No
90 to 180 days past due	0.66	91,697	–	No
More than 180 days past due	2.00	37,847	–	No
		572,373	–	
2018				
Current (not past due)	0.03	73,872	–	No
1 to 90 days past due	0.04	129,760	–	No
90 to 180 days past due	0.11	9,650	–	No
More than 180 days past due	2.00	20,747	–	No
		234,029	–	

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the contract assets.

During the financial year, the Company had write off the contract asset of $21,450 for unbilled project due to the project were past due more than 180 days and unable to bill due to dispute.

11. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

	Company	
	2019	**2018**
	$	$
Amount due from subsidiary companies		
Trade	110,421	516,611
Non-trade	2,989	2,989
	113,410	519,600

The amounts due from subsidiary companies are denominated in the following currencies:

Singapore Dollar	32,850	331,196
Hong Kong Dollar	–	148
United States Dollar	80,560	188,256
	113,410	519,600

Amount due to subsidiary companies		
Trade	67,386	137,563
Non-trade	339,588	434,447
	406,974	572,010

The amounts due to subsidiary companies are denominated in the following currencies:

Malaysia Ringgit	35,889	35,566
Singapore Dollar	339,588	129,562
United States Dollar	31,497	406,882
	406,974	572,010

The amounts due are unsecured, interest-free, repayable upon demand and to be settled in cash.

12. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due are trade nature, unsecured, interest-free, repayable upon demand and to be settled in cash.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Cash at bank	2,792,703	1,988,472	1,077,875	227,442
Cash on hand	812	2,807	1	1
Short term deposit	291,214	565,903	–	–
	3,084,729	2,557,182	1,077,876	227,443

13. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Chinese Renminbi	481,424	512,802	–	–
Hong Kong Dollar	1,011	5,306	–	–
India Rupee	135,433	93,664	–	–
Indonesia Rupiah	834,336	967,085	–	–
Malaysia Ringgit	299,647	297,646	–	–
Singapore Dollar	917,006	548,804	790,081	174,013
United States dollar	415,872	131,876	287,795	53,430
	3,084,729	2,557,182	1,077,876	227,443

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term deposits are made for a varying periods of three months depending on the immediate cash requirements of the Company, and earn interests at the respective short term deposit rates at 5.9% (2018: 7% to 7.6%) per annum.

14. TRADE PAYABLES

Third party	1,389,432	1,478,337	740,990	1,098,319
Related companies	43,630	16,295	43,630	16,295
	1,433,062	1,494,633	784,620	1,114,614

Trade payable are denominated in the following currencies:

Others	257,879	64,527	–	–
Malaysia Ringgit	343,173	171,095	–	–
Singapore Dollar	389,638	790,545	389,638	790,544
United States dollar	442,372	468,466	394,982	324,070
	1,433,062	1,494,633	784,620	1,114,614

15. OTHER PAYABLES

Accrued liabilities	81,438	179,583	54,520	124,520
Accrued salaries and related cost	156,305	288,397	37,056	53,075
GST payables	152,928	168,486	58,735	75,716
Deferred grants	3,587	13,490	3,587	13,490
Advance from customer	5,132	15,317	–	–
Provision for unutilised leave	48,526	39,328	38,360	29,690
Withholding tax payable	205,894	94,793	–	–
Sundry payables	79,499	22,847	20,649	(1,726)
	733,309	822,241	212,907	294,765

15. OTHER PAYABLES (continued)

Other payables are denominated in the following currencies:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Chinese Renminbi	21,987	(1,017)	–	–
Hong Kong Dollar	2,558	2,559	–	–
Malaysia Ringgit	43,338	48,746	–	–
Singapore Dollar	127,471	194,645	105,944	175,869
India Rupee	–	84,281	–	–
Indonesia Rupiah	121,888	161,613	–	–
United States Dollar	–	–	6,281	–
	317,242	490,827	112,225	175,869

16. CONTRACT LIABILITIES

Revenue relating to the customer pays up-front in full for those implementation and support service, and hosting service. A contract liability is recognised these services at the time of the initial sales transaction and is released over the service period.

There were no significant changes in the contract liability balances during the reporting period.

17. LEASE LIABILITIES

	Group	Company
	2019	**2019**
	$	$
Analysed as:		
Current	75,729	38,922
Non-current	–	–
	75,729	38,922
Maturity analysis:		
Year 1	75,729	38,922

The Group and the Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored by the finance directors.

18. TAX PAYABLE

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Balance at beginning of year	25,559	107,601	–	59,378
Current year's tax expense on profit	102,201	88,478,	–	–
Currency alignment	–	(2,415)	–	–
Income tax paid/(refund)	(105,824)	(164,852)	–	(49,965)
Under/(over) provision in prior year	3,429	(131,590)	–	(51,213)
Reclassified as tax recoverable	–	128,337	–	41,800
Balance at end of year	25,365	25,559	–	–

19. SHARE CAPITAL

	Group and Company			
	2019		**2018**	
	Number of shares	$	Number of shares	$
Issued and fully paid:				
Ordinary shares	1,151,000	1,151,000	1,151,000	1,151,000

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

20. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange difference arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency.

21. REVENUE

	Group	
	2019	**2018**
	$	$
Type of goods and services:		
Sale of licence	4,201,824	3,832,848
Sale of hardware	44,642	190,046
Rendering of services	5,688,527	4,951,699
Annual maintenance and support service	1,331,732	1,387,003
Hosting service	564,310	452,025
	11,831,035	10,813,621

21. REVENUE (continued)

	Group 2019 $	Group 2018 $
Timing of revenue recognition:		
Goods transferred at a point in time	4,246,466	4,022,894
Services transferred over time	7,584,569	6,790,727
	11,831,035	10,813,621

22. OTHER OPERATING INCOME

	2019 $	2018 $
Government grants – Special employment credit	3,783	1,846
– Wage credit scheme	8,283	3,545
– Temporary employment scheme	–	4,631
– PIC cash payout	9,903	32,871
Interest income	120,908	15,640
Commission income	29,900	7,483
Rental income	1,368	–
Sundry income	(87,560)	20,585
	86,585	86,601

23. STAFF COSTS

	2019 $	2018 $
Salaries, bonuses and others	5,321,889	4,777,050
Contribution to defined contribution plan	301,075	318,105
Others	25,874	21,521
Total employee benefits	5,648,838	5,116,675
Skill development levy	4,462	4,843
	5,653,300	5,121,518

24. FINANCE COSTS

	2019 $	2018 $
Interest expense on:		
– Bank overdraft	–	1,041
– Lease liabilities	7,982	–
	7,982	1,041

25. OTHER EXPENSES

The other expenses are arrived at after charging:

	2019 $	2018 $
Loss on disposal of equipment	–	101
Foreign exchange adjustment, loss	121,671	76,701

26. INCOME TAX EXPENSE

(i) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

Statement of comprehensive income:

	Group	
	2019	**2018**
	$	$
Current tax	102,201	88,478
Under/(over) provision in prior year	3,429	(51,213)
Deferred tax	–	(148)
	105,630	37,117

(ii) *Relationship between tax expense and accounting profit*

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2019 and 2018 are as follows:

	2019	2018
Profit before tax	118,925	447,707
Tax at domestic rates applicable to profit in the country where the Group operates	20,217	76,110
Adjustments:		
Tax effect of expenses that are not deductible in determining taxable profit	279,063	77,018
Effect of differences in tax rates	13	(3,020)
Income not subject to tax	(287,181)	(49,463)
Tax exemption	(1,491)	(2,518)
Tax effect of temporary differences not recognised	92,653	(5,000)
Under/(over) provision in prior year	3,429	(51,213)
Others	(1,073)	(4,797)
Total tax expense	105,630	37,117

27. OPERATING LEASE COMMITMENTS

The Group had entered into commercial leases mainly on office premise. These leases had an average life of between 2 and 5 years with no renewal option or contingent rent provision included in the contracts. There were no restriction placed upon the Group by entering into these leases.

As at 31 December 2018, the future minimum rental payable under non-cancellable leases are as follows:

	Group 2018 $	Company 2018 $
Within one year	271,304	156,365
From two to five years	116,349	39,091
	387,653	195,456

As disclosed in Note 2(a), the Group and the Company has adopted FRS 116 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019.

28. RELATED PARTY DISCLOSURES

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and Company and related parties that took place at terms agreed between the parties during the financial year:

(i) *Significant related party transactions*

	Group		Company	
	2019 $	2018 $	2019 $	2018 $
Related party				
Sale of subsidiary	9,323	–	9,323	–
Outsourcing services income	1,532,346	643,813	–	–
Professional fee	350,884	154,322	116,320	50,000
Subsidiaries				
Advances from	–	–	600,000	526,096
Dividend income	–	–	896,040	–

28. RELATED PARTY DISCLOSURES (continued)

(ii) *Compensation of key management personnel*

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Group. The directors of the Group and the general management of the Group are considered as key management personnel of the Group.

	Group	
	2019	**2018**
	$	$
Directors' fee	1,978	2,006
Directors' remuneration	357,431	229,090

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, foreign currency risk and liquidity risk. The Group's risk management policies focus on the unpredictability of financial markets and seek to, where appropriate, minimise potential adverse effects on the financial performance of the Group. The Group does not have any written financial risk management policies and guidelines and there has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Group's exposure to the financial risks associated with financial instruments held in the ordinary course of business and the objectives, policies and processes for the management of these risks.

(i) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial asset (cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposures. Credit policies with guidelines on credit terms and limits set the basis for risk control.

The Group and the Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) *Credit risk (continued)*

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

Category	Description	Basis for recognising expected credit losses (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 group has no realistic prospect of recovery.	Amount is written off

The tables below detail the credit quality of the Group's and the Company's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $	Loss allowance $	Net carrying amount $
Group							
2019							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	2,419,528	(435,560)	1,983,968
Other receivables	9	N.A.	Performing	12m ECL	72,183	–	72,183
Contact assets	10	N.A.	(a)	Lifetime ECL (simplified approach)	633,890	–	633,890
Amounts due from related companies	12	N.A.	(b)	12m ECL	125,185	–	125,185
						(435,560)	
2018							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	2,534,195	(332,690)	2,201,505
Other receivables	9	N.A.	Performing	12m ECL	182,037	–	182,037
Contact assets	10	N.A.	(a)	Lifetime ECL (simplified approach)	364,907	–	364,907
Amounts due from related companies	12	N.A.	(b)	12m ECL	153,840	–	153,840
						(332,690)	

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) *Credit risk (continued)*

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $	Loss allowance $	Net carrying amount $
Company							
2019							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	1,355,570	(366,500)	989,070
Other receivables	9	N.A.	Performing	12m ECL	37,461	–	37,461
Contact assets	10	N.A.	(a)	Lifetime ECL (simplified approach)	572,373	–	572,373
						(366,500)	
2018							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	1,777,674	(244,499)	1,533,175
Other receivables	9	N.A.	Performing	12m ECL	84,540	–	84,540
Contact assets	10	N.A.	(a)	Lifetime ECL (simplified approach)	234,029	–	234,029
Amounts due from related companies	12	N.A.	(b)	12m ECL	519,600	–	519,600
						(244,499)	

(a) Trade receivables

The Group and the Company have applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Group and 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. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix (Note 8). The amount of the allowances on these balances is insignificant as at 31 December 2019.

(b) Amount due from related parties

The Group assessed the latest performance and financial position of the counterparties and conclude that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment losses allowance using 12 months ECL and determine that the ECL is insignificant.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) ***Credit risk (continued)***

- ***Exposure to credit risk***

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet. No other financial assets carry a significant exposure to credit risk.

- ***Credit risk concentration profile***

At the end of the reporting period, there were no significant concentrations of credit risk due to the Group's many varied customers.

It is the Group's policy to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk.

- ***Financial assets that are neither past due nor impaired***

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

- ***Financial assets that are either past due or impaired***

Information regarding financial assets that are either past due or impaired is disclosed in Note 8 (Trade receivables).

(ii) ***Foreign currency risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group operates and sells their goods and services in several countries other than Singapore and transacts in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to United States dollar (USD), Chinese Renminbi (RMB), Malaysia Ringgit (MYR) and Indonesia Rupiah (IDR).

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) ***Foreign currency risk (continued)***

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD and IDR, with all other variables held constant, of the Group's loss before tax and equity.

	Profit before tax	
	2019	**2018**
	$	$
RMB		
– strengthened 3% (2018: 3%)	5,536	16,431
– weakened 3% (2018: 3%)	(5,536)	(16,431)
IDR		
– strengthened 3% (2018: 4%)	27,778	49,008
– weakened 3% (2018: 4%)	(27,778)	(49,008)

(iii) ***Liquidity risk***

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group objective is to maintain a balance between continuity of funding and flexibility through the use of standby credit facilities.

The Group's liquidity risk management policy is to monitor its working capital projections, taking into account the available banking and other borrowings facilities of the Group, and ensuring that the Group has adequate working capital to meet obligations and commitments due.

The maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments are due within one year.

30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the reporting period by FRS 109 categories.

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Financial assets at amortised cost				
Trade receivables	1,983,968	2,201,505	989,070	1,533,175
Other receivables	72,183	182,036	37,461	84,540
Contract assets	633,890	364,907	572,373	234,029
Amounts due from subsidiary companies	–	–	113,410	519,600
Amounts due from related companies	125,185	153,840	–	–
Cash and cash equivalents	3,084,729	2,557,182	1,077,876	227,443
	5,899,955	5,459,470	2,790,190	2,598,787
Financial liabilities at amortised cost				
Trade payables	1,433,062	1,494,633	784,620	1,114,614
Other payables	317,242	490,827	112,225	175,869
Contract liabilities	1,448,578	1,051,092	1,000,586	550,853
Lease liabilities	75,729	–	38,922	–
Amounts due to subsidiary companies	–	–	406,974	572,010
	3,274,611	3,036,552	2,343,327	2,413,346

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(i) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

The Group has no financial instruments that are carried at fair value at the end of each reporting period.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Current trade and other receivables and payables (including amounts due from/(to) related companies), cash and cash equivalents, and accrued operating expenses.

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

32. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares, funding from holding company or obtain new borrowings.

The Group's overall strategy remains unchanged for 2017 and it is not subject to externally imposed capital requirements.

The Group monitors its cash flow, debt maturity profile and overall liquidity position on a continuous basis.

33. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 17 January 2020.