HLB ATREDE

Directors' Statement and
Audited Financial Statements

R Systems (Singapore) Pte Limited

(Co. Reg. No. 199707692G)

For the year ended 31 December 2020

R Systems (Singapore) Pte Limited
(Co. Reg. No. 199707692G)

General Information

Directors

Satinder Singh Rekhi
Harpreet Rekhi
Chan Kum Ming
Joydeep Sen Chaudhuri

Secretary

Ng Chee Tiong

Independent Auditor

HLB Atrede LLP

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R Systems (Singapore) Pte Limited
(Co. Reg. No. 199707692G)

Directors' Statement

The directors are pleased to present their statement to the member together with the audited financial statements of R Systems (Singapore) Pte Limited (the "Company") for the financial year ended 31 December 2020.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial positions of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows 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
Chan Kum Ming
Joydeep Sen Chaudhuri

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	–	–	5,780,768	5,780,768

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

	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 of Rs. 1 each		
The immediate and ultimate holding company - R Systems International Limited				
Satinder Singh Rekhi	3,062,207	3,062,207	20,646,550	20,646,550
Harpreet Rekhi	1,467,277	735,621		
Chan Kum Ming	8,000	8,000	–	–

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 TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the Company was granted.

6. OPTIONS EXERCISED

During the financial year, there were no shares of the Company 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 are no unissued shares of the Company 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,

J. S. Chaudhuri

Chan Kum Ming
Director

Joydeep Sen Chaudhuri
Director

Singapore
20 January 2021

HLB ATREDE

Independent Auditor's Report
to the member of R Systems (Singapore) Pte Limited
(Co. Reg. No. 199707692G)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of R Systems (Singapore) Pte Limited (the Company), which comprise the balance sheet as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (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 Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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.

Independent Auditor's Report
to the member of R Systems (Singapore) Pte Limited – continued
(Co. Reg. No. 199707692G)

Other Information (continued)

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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.

Independent Auditor's Report
to the member of R Systems (Singapore) Pte Limited – continued
(Co. Reg. No. 199707692G)

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 Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company to cease to continue as a going concern.

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

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

Independent Auditor's Report
to the member of R Systems (Singapore) Pte Limited – continued
(Co. Reg. No. 199707692G)

Report on Other Legal and Regulatory Requirements

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

HLB Atrede LLP
Public Accountants and
Chartered Accountants

Singapore
20 January 2021

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R Systems (Singapore) Pte Limited
(Co. Reg. No. 199707692G)

Balance Sheet as at 31 December 2020

	Note	2020 $	2019 $
Non-current assets			
Plant and equipment	4	636	2,033
Investment in associate	5	2,775,560	2,775,560
Investment in subsidiaries	6	4,608,550	4,608,550
		7,384,746	7,386,143
Current assets			
Trade receivables	7	862,820	1,120,250
Other receivables	8	13,618	9,350
Prepayment		45,251	46,304
Amounts due from a holding company	9	44,678	47,972
Amounts due from related company	10	5,468	–
Cash and cash equivalents	11	1,100,154	539,317
		2,071,989	1,763,193
Current liabilities			
Other payables	12	703,058	197,630
Contract liability	13	–	1,041
Amounts due to related companies	14	188,397	295,342
		891,455	494,013
Net current assets		1,180,534	1,269,180
Net assets		8,565,280	8,655,323
Equity attributable to owner of the Company			
Share capital	15	7,631,000	7,631,000
Accumulated profits		934,280	1,024,323
Total equity		8,565,280	8,655,323

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

R Systems (Singapore) Pte Limited
(Co. Reg. No. 199707692G)

Statement of Comprehensive Income for the financial year ended 31 December 2020

	Note	2020 $	2019 $
Revenue	16	6,600,608	7,035,592
Cost of sales		(5,658,733)	(6,028,734)
Gross profit		941,875	1,006,858
Other operating income	17	181,587	212,440
Distribution costs		(1,991)	(11,523)
Administrative expenses		(1,205,314)	(1,255,620)
Other (charges)/credits	18	(6,200)	(287)
Loss before tax	19	(90,043)	(48,132)
Income tax expense	20	–	(1,040)
Loss for the year		(90,043)	(49,172)
Other comprehensive income		–	–
Total comprehensive loss for the year		(90,043)	(49,172)

Statement of Changes in Equity
Year ended 31 December 2020

	Share capital $	Accumulated profits $	Total $
Balance at 1 January 2019	7,631,000	1,073,495	8,704,495
Total comprehensive loss for the year	–	(49,172)	(49,172)
Balance at 31 December 2019	7,631,000	1,024,323	8,655,323
Total comprehensive loss for the year	–	(90,043)	(90,043)
Balance at 31 December 2020	7,631,000	934,280	8,565,280

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

R Systems (Singapore) Pte Limited
(Co. Reg. No. 199707692G)

Cash Flow Statement for the financial year ended 31 December 2020

	2020	**2019**
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(90,043)	(48,132)
Adjustments for:		
Depreciation	1,397	2,144
Interest income	(452)	(1,038)
Reversal for expected credit losses	(63)	(663)
Operating loss before working capital changes	(89,161)	(47,689)
Decrease in trade and other receivables	254,278	393,577
Increase/(decrease) in other payables and contract liability	504,387	(456,089)
Decrease in amounts due to related companies	(92,083)	(55,541)
Increase in amounts due from related company	(5,468)	–
Cash generated from/(used in) operations	571,953	(165,742)
Interest received	452	1,038
Tax paid	–	(1,520)
Foreign tax paid	–	(389)
Net cash flows from/(used in) operating activities	572,405	(166,613)
CASH FLOWS FROM INVESTING ACTIVITY		
Increase of investment in subsidiary	–	(100)
Net cash flows used in investing activity	–	(100)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease)/increase in amounts due to related companies	(14,862)	13,611
Increase in amounts due from a holding company	3,294	3,204
Net cash flows (used in)/from financing activities	(11,568)	16,815
Net increase/(decrease) in cash and cash equivalents	560,837	(149,898)
Cash and cash equivalents at beginning of year	539,317	689,215
Cash and cash equivalents at end of year	1,100,154	539,317

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 limited company incorporated and domiciled in Singapore and its immediate and ultimate holding company is R Systems International Limited incorporated in India listed on the National Stock Exchange of India Limited and BSE Limited.

The registered office of the Company and its principal place of business are located at 16 Jalan Kilang #04-01 Hoi Hup Building Singapore 159416.

The principal activities of the Company are those of carrying on business of software development, consultancy services and executive search services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of preparation*

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except where otherwise described in the accounting policies below.

The financial statements are presented in Singapore Dollars (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 Company has adopted all applicable new and amended standards that are relevant to its operations and effective for the current financial year. The adoption of these standards did not have any material effect on the financial position or performance of the Company for the current or prior financial years.

The following standards and interpretations are effective for the annual period beginning on or after 1 January 2020:

	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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

	Effective date (Annual periods beginning on or after)
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
Amendment to FRS 116: *Covid-19-Related Rent Concession*	1 June 2020

Amendments to FRS 1 and FRS 8: *Definition of Material*

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the Accounting Standards Council Singapore (ASC) in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Amendments to FRS 116: *Covid-19 Related Rent Concessions*

On 28 May 2020, the ASC issued *Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases.*

The amendments provide relief to lessees from applying FRS 116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under FRS 116, if the change were not a lease modification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

Standards issued but not yet effective

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

	Effective date (Annual periods beginning on or after)
Amendments to FRS109, FRS 39, FRS 107, FRS104, FRS 116: *Interest rate benchmark reform- phase 2*	1 January 2021
Amendments to FRS 103: *Reference to the Conceptual Framework*	1 January 2022
Amendments to FRS 16: *Property, Plant and Equipment Proceeds before Intended Use*	1 January 2022
Amendments to FRS 37: *Onerous Contracts Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to FRSs 2018 – 2020	1 January 2022
FRS 101: *First-time Adoption of Financial Reporting Standards*	
FRS 109: *Financial Instruments Illustrative Examples accompanying FRS 116 Leases*	
FRS 41: *Agriculture*	
FRS 117: *Insurance Contracts*	1 January 2023
Amendment to FRS 1: *Classification of Liabilities as Current or Non-current*	1 January 2023

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) *Functional and foreign currency*

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD.

Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rate of exchange ruling at the end of the reporting period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of 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.

(c) *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 Company and the cost of the item can be measured reliably.

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

Computer	–	1 to 3 years
Furniture and fittings	–	3 years
Office equipment	–	5 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 the end of each reporting period, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Associates*

An associate is an entity over which the Company has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Company has exempted in accordance to FRS 28 in accounting for its investments in associates using the equity method from the date on which it becomes an associate.

The Company's investments in associates are accounted for at cost less any impairment losses.

Exemption from accounted the investment in associate using equity method

The financial statements of the associate have not been equity accounted for with the Company's financial statements as the Company itself is a wholly owned subsidy of R Systems International Ltd, a company incorporated in India, which prepares consolidated financial statements on a worldwide basis. Such financial statements are publicly available.

The registered address of R System International Ltd is B-104A Grater Kailash-I, New Delhi, 110 048 India.

(e) *Subsidiary*

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 subsidiary is accounted for at cost less impairment losses.

Consolidated Financial Statements (Non-consolidated)

The financial statements of the subsidiary has not been consolidated with the Company's financial statements as the Company itself is a wholly owned subsidiary of R Systems International Ltd, incorporated in India, which prepares consolidated financial statements on a worldwide basis. Such financial statements are publicly available.

The registered address of R Systems International Ltd is GF-1-A, 6, Devika Tower, Nehru Place, New Delhi, India 110019.

Investments in subsidiary in the financial statements of the Company are stated at cost, less any impairment in recoverable value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Financial instrument*

(i) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

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

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

Subsequent measurement

After the initial recognition, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Financial instruments (continued)*

(ii) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company 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.

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 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.

(g) *Impairment of financial assets*

The Company 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 Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(h) *Impairment of non-financial assets*

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

The Company 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 Company 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)

(i) *Contract balances*

<u>*Contract liabilities*</u>

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

(j) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at bank.

(k) *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.

(l) *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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 income". Alternatively, they are deducted in reporting the related expenses.

(m) *Provisions*

Provisions are recognised when the Company 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) *Employee benefits*

(i) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Company 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.

The Company 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.

(o) *Revenue*

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

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

(i) *Consultancy services*

The Company recognises revenue from consultancy services over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. The output methods recognise revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative services promised under the contract.

(ii) *Placement fee*

Placement fee is related to recruitment services provided and it is recognised as revenue at the point of time when the services is rendered.

(iii) *Interest income*

Interest income is recognised using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) *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.

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.

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)

(p) *Taxes (continued)*

(iii) *Goods and services tax*

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- Where the goods and services 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 goods and services tax included.

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

(q) *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 Company if that person:
- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third 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 Company'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*

There were no material judgements made by management in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(ii) *Estimates and assumptions*

There were no material key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date.

4. PLANT AND EQUIPMENT

	Computer	Furniture and fittings	Office equipment	Total
	$	$	$	$
Cost:				
At 1 January 2019	96,514	950	4,680	102,144
Additions	–	–	–	–
At 31 December 2019 and 1 January 2020	96,514	950	4,680	102,144
Written off	(993)	–	–	(993)
At 31 December 2020	95,521	950	4,680	101,151
Accumulated depreciation:				
At 1 January 2019	95,071	211	2,685	97,967
Charge for the year	891	317	936	2,144
At 31 December 2019 and 1 January 2020	95,962	528	3,621	100,111
Charge for the year	552	317	528	1,397
Written off	(993)	–	–	(993)
At 31 December 2020	95,521	845	4,149	100,515
Net carrying amount:				
At 31 December 2019	552	422	1,059	2,033
At 31 December 2020	–	105	531	636

5. INVESTMENT IN ASSOCIATE

	2020	2019
	$	$
Unquoted equity shares at cost	2,775,560	2,775,560

The Company held approximately 30.38% (2019: 30.38%) equity interest in R System Consulting Services Limited, incorporated in Singapore.

The principal activities of the associate are those of providers of collaborative Internet-based supply chain solutions and management services, customers technical and administrative support services and information technology consultancy services.

6. INVESTMENT IN SUBSIDIARIES

Unquoted equity shares at cost	4,608,550	4,608,550

The details of the investment in subsidiary at 31 December 2020 are as follows:

Name and principal activities	Country of incorporation	Cost of investments		Proportion (%) of ownership interest	
		2020	2019	2020	2019
		$	$	%	%
Held by the Company					
IBIZ Consulting Pte. Ltd (I.T. integrated solution services and I.T support)	Singapore	4,608,450	4,608,450		100
PT. IBIZCS Indonesia (I.T. integrated solution services and I.T. support)	Indonesia	100	100		0.44
		4,608,550	4,608,550		

The details of the indirect subsidiaries held by IBIZ Consulting Pte. Ltd. at 31 December 2019 are as follows:

Name and principal activities	Country of incorporation	Proportion (%) of ownership interest	
		2020	2019
		%	%
Held by direct subsidiary company – IBIZ Consulting Pte. Ltd.			
IBIZ Consulting Services Pte Ltd (I.T. integrated solution services and I.T. support)	Singapore	100	100
IBIZ Consulting Services Sdn. Bhd. (I.T. integrated solution services and I.T. support)	Malaysia	100	100

6. INVESTMENT IN SUBSIDIARIES (continued)

Name and principal activities	Country of incorporation	Proportion (%) of ownership interest 2020 %	2019 %
Held by direct subsidiary company – IBIZ Consulting Pte. Ltd. (continued)			
PT. IBIZCS Indonesia (I.T. integrated solution services and I.T. support)	Indonesia	100	100
IBIZ Consulting Services Limited (I.T. integrated solution services and I.T. support)	Hong Kong	100	100
IBIZ Consulting (Thailand) Co., Ltd (I.T. integrated solution services and I.T. support)	Thailand	100	100
Held by indirect subsidiary company – IBIZ Consulting Services Limited, Hong Kong			
IBIZ Consulting Services (Shanghai) Co., Ltd (I.T. integrated solution services and I.T. support)	China	100	100

7. TRADE RECEIVABLES

	2020 $	2019 $
Trade receivables	862,977	1,120,470
Less: Allowance for expected credit losses	(157)	(220)
	862,820	1,120,250

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

Trade receivables denominated in following currencies as at 31 December are as follows:

	2020	2019
Singapore Dollar	858,813	1,115,808
United States Dollar	4,164	4,442
	862,977	1,120,250

7. 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 credit impaired $
At 1 January 2019	(883)
Reversal for expected credit losses	663
At 31 December 2019 and 1 January 2020	(220)
Reversal for expected credit losses	63
At 31 December 2020	(157)

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables for individual customers as at 31 December 2020:

	Expected credit loss rate %	Gross Carrying amount $	Lifetime ECL $	Credit impaired
2020				
Current (not past due)	0.01	632,746	(64)	Yes
1 to 30 days past due	0.03	148,075	(44)	Yes
31 to 60 days past due	0.03	66,778	(20)	Yes
61 to 90 days past due	0.03	8,613	(3)	Yes
91 to 120 days past due	0.39	6,765	(26)	Yes
121 to 150 days past due	0.39	–	–	No
151 to 180 days past due	0.39	–	–	No
181 to 365 days past due	2.00	–	–	No
		862,977	(157)	
2019				
Current (not past due)	0.01	654,860	(70)	Yes
1 to 30 days past due	0.03	330,503	(105)	Yes
31 to 60 days past due	0.03	121,353	(40)	Yes
61 to 90 days past due	0.03	13,754	(5)	Yes
91 to 120 days past due	0.39	–	–	No
121 to 150 days past due	0.39	–	–	No
151 to 180 days past due	0.39	–	–	No
181 to 365 days past due	2.00	–	–	No
		1,120,470	(220)	

@ In case of non-collection, the default rate of ECL is 100%.

8. OTHER RECEIVABLES

	2020 $	2019 $
Sundry receivable	13,618	9,350

9. AMOUNTS DUE FROM A HOLDING COMPANY

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

10. AMOUNTS DUE FROM RELATED COMPANY

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

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounting to $74,736 (2019: $67,193) is denominated in United States Dollar.

12. OTHER PAYABLES

Accrued liabilities	64,024	86,058
CPF payable	89,216	53,235
Deferred Job Support Scheme (JSS) grant	3,450	–
JSS grant payable *	463,907	–
GST payable	81,698	58,337
Sundry payables	763	–
	703,058	197,630

* JSS grant payable is related to government grant Job Support Scheme (JSS) received for which is payable to customers as the Company involved in labour supply services where its employees are contracted out to work for their client. This grant payable has no impact to the profit and loss of the Company.

13. CONTRACT LIABILITY

A contract liability is relating to the advance billing to customer for the consultancy services to be provided. The revenue relating to the consultancy services is recognised when services rendered.

14. AMOUNTS DUE TO RELATED COMPANIES

Trade	186,540	278,623
Non-trade	1,857	16,719
	188,397	295,342

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

14. AMOUNTS DUE TO RELATED COMPANIES (continued)

A reconciliation of liabilities arising from financing activities is as follows:

	2019 $	**Cash flows** $	**Non-cash changes** $	**2020** $
Amounts due from a holding company	(47,972)	3,294	–	(44,678)
Amounts due to related companies				
– Non-trade	16,719	(14,862)	–	1,857
	(31,253)	(11,568)	–	(42,821)

15. SHARE CAPITAL

	2020 Number of shares	**2020** $	**2019** Number of shares	**2019** $
Issued and fully paid:				
Ordinary shares	5,780,768	7,631,000	5,780,768	7,631,000

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.

16. REVENUE

	2020 $	**2019** $
Type of goods and services:		
Consultancy services	6,292,448	6,764,667
Placement fees	308,160	250,780
Software development services	–	20,145
	6,600,608	7,035,592
Timing of revenue recognition:		
Services transferred at a point in time	308,160	250,780
Services transferred over time	6,292,448	6,784,812
	6,600,608	7,035,592

There were no significant judgement and methods in estimating revenue during the financial year.

17. OTHER OPERATING INCOME

	2020 $	2019 $
Dividend income	–	3,889
Government grants – PIC cash payout	–	137
– Special employment credit	–	2,421
– Temporary employment credit	–	–
– Wage credit scheme	–	29,878
Interest income from current accounts	452	1,038
Sundry income – Guest House and car rental	181,135	175,077
	181,587	212,440

18. OTHER (CHARGES)/CREDITS

Reversal for expected credit losses	63	663
Foreign exchange adjustment, loss	(6,263)	(950)
	(6,200)	(287)

19. LOSS BEFORE TAX

The loss before tax is arrived at after charging:

Foreign worker levy	20,661	30,101
Insurance	34,653	41,528
Rental of premise	53,700	53,700

20. INCOME TAX EXPENSE

(i) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

Statement of comprehensive income:

Current tax	–	–
Under provision for prior year	–	651
Foreign tax paid	–	389
	–	1,040

20. INCOME TAX EXPENSE (continued)

(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 2020 and 2019 are as follows:

	2020 $	2019 $
Loss before tax	(90,043)	(48,132)
Tax benefit on loss before tax at 17%	(15,308)	(8,182)
Adjustments:		
Non-deductible expenses	93	151
Income not subject to tax	(11,571)	(988)
Deferred tax assets on temporary difference not recognised	26,786	9,019
Under provision for prior year	–	651
Others	–	389
Total tax expense	–	1,040

The Company has unabsorbed tax losses of approximately $131,419 (2019: $43,536) that are available for offset against future taxable profits of the Company in which the losses 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 with the Income Tax Authorities.

21. EMPLOYEE BENEFITS

	2020	2019
Employee benefits expenses (including directors)		
Salaries, bonuses and allowances	3,832,268	3,600,744
Central provident fund contributions	363,659	283,723
Staff commission	15,307	4,655
JSS grant income	(68,834)	–
	4,142,400	3,889,122

The JSS is a government grant that provide wage support to help the Company retain its local employees during the period of economic uncertainty due to Covid-19 pandemic.

22. RELATED PARTY DISCLOSURES

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

(i) *Significant related party transactions*

	2020 $	2019 $
Related companies		
Accounting fee	91,992	91,992
Human resource recruitment fee	50,400	50,400
Management fee	117,108	117,108
Other consultant cost – ECNet Limited	641,489	974,566
Professional fee	118,800	118,800
Sundry income – car rental	51,600	42,000
Rental of premise	53,700	53,700
Consultancy services	31,997	37,199
Software development cost	–	20,145
Other consultant cost and related services – IBIZ Consulting Services Pte Ltd	1,155,905	1,532,875
Expenses paid on behalf by	171,864	–
Related party		
Consultancy services	5,110	21,394
Holding company		
Sundry income – Guest House rental	129,535	133,077

(ii) *Compensation of key management personnel*

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

Director's remuneration	196,841	225,423

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 Company'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 Company. The Company does not have any written financial risk management policies and guidelines and there has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Company'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 that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other debtors. Guidelines on credit terms provided to trade customers are established and continually monitored. For other financial assets including cash and short-term deposits, the Company minimises credit risk by dealing exclusively with reputable and well-established local and foreign banks, and companies with high credit ratings and no history of defaults.

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. New customers are subject to credit evaluation while the Company continues to monitor existing customers, especially those with repayment issues. In addition, appropriate allowances are made for probable losses when necessary for identified debtors.

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

In order to minimise credit risk, the Company has developed and maintain the credit risk gradings to categorise exposures according to their degree of risk of default. The Company uses publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) *Credit risk (continued)*

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 has no realistic prospect of recovery.	Amount is written off

The tables below detail the credit quality of the Company's financial assets, 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 $
2020							
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified approach)	862,977	(157)	862,820
Other receivables	8	N.A.	Performing	12m ECL	13,618	–	13,618
Amounts due from a holding company	9	N.A.	Performing	12m ECL	44,678	–	44,678
Amounts due from a related company	13	N.A.	Performing	12m ECL	5,468	–	5,468
						(157)	
2019							
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified approach)	1,120,470	(220)	1,120,250
Other receivables	8	N.A.	Performing	12m ECL	9,350	–	9,350
Amounts due from a holding company	9	N.A.	Performing	12m ECL	47,972	–	47,972
						(220)	

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) *Credit risk (continued)*

(a) For trade receivables and contract assets, the Company has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix (Note 7).

Exposure to credit risk

At the end of the reporting period, the Company'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 Company's many varied customers.

(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 Company provides services in several countries other than Singapore and transacts in foreign currencies. As a result, the Company is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to United States dollar (USD). However, the Company does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

The Company has no significant foreign currency exposure at the end of the financial period.

(iii) ***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk may arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company's liquidity risk management policy is to monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and mitigate the fluctuations in cash flows.

The maturity profile of the Company's financial liabilities at the end of reporting period based on contractual undiscounted cash flow is less than a year.

24. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

	2020 $	2019 $
Financial assets at amortised cost		
Trade receivables	862,820	1,120,250
Other receivables	13,618	9,350
Amounts due from a holding company	44,678	47,972
Amounts due from a related company	5,468	–
Cash and cash equivalent	1,100,154	539,317
	2,026,738	1,716,889
Financial liabilities at amortised cost		
Other payables	617,910	139,293
Amounts due to related companies	188,397	295,342
	806,307	434,635

25. FAIR VALUE OF ASSETS AND LIABILITIES

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 Company categorises 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 Company has no assets and liabilities that are carried at fair value at the end of each reporting period.

(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.

26. CAPITAL MANAGEMENT

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

In order to maintain or achieve an optimal capital structure, the Company may issue new shares, obtain new borrowing, sell assets to reduce debts or funding from holding company.

No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019.

The Company manages capital by regularly monitoring its current and expected liquidity requirements. The Company is not subject to any externally imposed capital requirements.

27. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Coronavirus Disease (COVID-19) pandemic and the measures taken to contain the spread of COVID-19 has created a high level of uncertainty to the near-term global economic prospects and caused disruptions to various businesses. A series of measures to curb the COVID-19 pandemic have been and continue to be implemented in Singapore, including requirements to limit or suspend business operations, travel restrictions and quarantine measures. The Company is taking precautionary measures to deal with the COVID-19 pandemic in accordance with guidelines provided by the Government.

As the situation relating to the spread remains dynamic, it is currently not possible to ascertain the full financial impact it may have on the financial performance of the Company for the next financial reporting period.

The Company is closely monitoring the development of the COVID-19 pandemic and its related impact on the businesses. As at the date of these financial statements, the Company is not aware of any material adverse effects on the financial statements arising from the COVID-19 pandemic.

28. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 20 January 2021.