



*Directors' Statement and
Audited Financial Statements*

***R Systems IBIZCS Pte. Ltd.
and its Subsidiaries***

(Co. Reg. No. 200715700E)

For the year ended 31 December 2021

R Systems IBIZCS Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

General Information

Directors

Dr. Satinder Singh Rekhi
Sartaj Singh Rekhi
Gunalan Kalairajan

Secretary

Ng Chee Tiong

Independent Auditor

HLB Atrede LLP

Contents

	Page
Directors' Statement	1
Independent Auditor's Report	3
Balance Sheets	7
Consolidated Statement of Comprehensive Income	9
Statements of Changes in Equity	11
Consolidated Cash Flow Statement	12
Notes to the Financial Statements	13

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of R Systems IBIZCS 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 2021.

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 2021 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:

Dr. Satinder Singh Rekhi
Sartaj Singh 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:

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

R Systems IBIZCS Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

Directors' Statement – continued

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

Name of directors	Holding registered in names of directors		Holdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Ordinary shares of Rs. 1 each				
<i>The ultimate holding company</i>				
<i>- R Systems International Limited</i>				
Dr. Satinder Singh Rekhi	3,062,207	7,403,456	20,646,550	11,702,623
Sartaj Singh Rekhi	18,860,269	18,676,248	8,828,489	—
Harpreet Rekhi	735,621	5,099,389	20,646,550	11,702,623

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. SHARE OPTIONS

There were no share options granted during the financial year to subscribe for unissued shares of the Company or any corporation in the Group.

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

There were no unissued shares of the Company or any corporation in the Group under option at the end of the financial year.

6. 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,



Dr. Satinder Singh Rekhi
Director

Singapore

DocuSigned by:
Gunalan Kalairajan
13F8460CB8C2446...

Gunalan Kalairajan
Director

**Independent Auditor's Report
to the member of R Systems IBIZCS Pte. Ltd.
(Co. Reg. No. 200715700E)**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of R Systems IBIZCS 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 2021, 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 2021 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.

**Independent Auditor's Report
to the member of R Systems IBIZCS 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.

**Independent Auditor's Report
to the member of R Systems IBIZCS Pte. Ltd. – continued**
(Co. Reg. No. 200715700E)

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 R Systems IBIZCS 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.

A handwritten signature in blue ink that reads 'HLB Atrede LLP'.

HLB Atrede LLP
Public Accountants and
Chartered Accountants

Singapore
15 February 2022

R Systems IBIZCS Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

Balance Sheets as at 31 December 2021

		Group		Company	
	Note	2021	2020	2021	2020
		\$	\$	\$	\$
Non-current assets					
Plant and equipment	4	61,058	37,327	36,170	21,918
Investment in subsidiaries	5	–	–	1,343,530	1,213,495
Intangible assets	6	127,630	–	–	–
Right of use assets	7	249,268	255,603	197,312	255,603
		<u>437,956</u>	<u>292,930</u>	<u>1,577,012</u>	<u>1,491,016</u>
Current assets					
Trade receivables	8	2,031,715	1,530,060	1,168,530	853,158
Other receivables	9	129,681	372,586	61,067	59,130
Contract assets	10	583,035	590,766	340,033	462,614
Amounts due from ultimate holding company	11	–	73,994	–	–
Amounts due from subsidiary companies	12	–	–	209,030	138,552
Amounts due from related companies	13	26,181	1,465	–	–
Cash and cash equivalents	14	3,762,237	4,247,886	1,718,896	1,815,806
		<u>6,532,849</u>	<u>6,816,757</u>	<u>3,497,556</u>	<u>3,329,260</u>
Current liabilities					
Trade payables	15	1,166,820	835,891	535,985	558,948
Other payables	16	754,477	884,908	377,400	402,706
Contract liabilities	17	1,910,748	1,838,764	1,476,920	1,107,844
Lease liabilities	18	167,900	125,133	141,549	125,133
Amounts due to ultimate holding company	11	23,520	25,200	23,520	25,200
Amounts due to holding company	19	–	5,468	–	5,468
Amounts due to subsidiary companies	11	–	–	363,076	399,432
Amount due to related company	13	5,136	8,336	5,136	8,336
Tax payable	20	72,283	53,005	39,272	–
		<u>4,100,884</u>	<u>3,776,705</u>	<u>2,962,858</u>	<u>2,633,067</u>
Net current assets		2,431,965	3,040,052	534,698	696,193
Non-current liability					
Lease liability	18	90,467	135,430	61,867	135,430
Net assets		<u>2,779,454</u>	<u>3,197,552</u>	<u>2,049,843</u>	<u>2,051,779</u>

R Systems IBIZCS Pte. Ltd. and its Subsidiaries
 (Co. Reg. No. 200715700E)

Balance Sheets as at 31 December 2021 - continued

		Group		Company	
	Note	2021	2020	2021	2020
		\$	\$	\$	\$
Equity attributable to owner of the Company					
Share capital	21	1,151,000	1,151,000	1,151,000	1,151,000
Foreign currency translation reserve	22	12,648	69,343	–	–
Accumulated profits		1,615,706	1,977,109	898,843	900,779
		<u>2,779,354</u>	<u>3,197,452</u>	<u>2,049,843</u>	<u>2,051,779</u>
Non-controlling interest		100	100	–	–
Total equity		<u><u>2,779,454</u></u>	<u><u>3,197,552</u></u>	<u><u>2,049,843</u></u>	<u><u>2,051,779</u></u>

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

R Systems IBIZCS Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

**Consolidated Statement of Comprehensive Income
for the financial year ended 31 December 2021**

	Note	2021 \$	2020 \$
Revenue	23	11,411,787	9,861,729
Other operating income	24	84,099	67,350
		<u>11,495,886</u>	<u>9,929,079</u>
Purchases of licenses/services		(3,102,236)	(1,782,501)
Subcontractor services		(1,360,721)	(1,302,791)
Staff costs	25	(4,869,181)	(5,017,988)
Allowance for expected credit losses			
– trade receivables		(59,025)	(72,194)
– contract assets		(35,991)	(61,977)
Amortisation of intangible assets		(31,885)	–
Depreciation of plant and equipment		(25,867)	(40,322)
Depreciation of right-of-use assets		(140,070)	(164,535)
Finance cost	26	(12,671)	(12,793)
Rental of premises		(104,589)	(82,900)
Reversal for allowance for impairment on trade receivables		157,647	240,714
Bad debt written off – trade		(18,456)	(20,284)
Other expenses	27	(821,752)	(762,817)
Profit before tax		1,071,089	848,691
Income tax expense	28	(232,492)	(81,605)
Profit for the year		838,597	767,086
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation		(56,695)	(59,365)
Other comprehensive loss for the year, net of tax		(56,695)	(59,365)
Total comprehensive income for the year		<u>781,902</u>	<u>707,721</u>
Profit attributable to:			
Owner of the Company		<u>838,597</u>	<u>767,086</u>
Total comprehensive income attributable to:			
Owner of the Company		<u>781,902</u>	<u>707,721</u>

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

R Systems IBIZCS Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

Statements of Changes in Equity for the financial year ended 31 December 2021

Group	Share capital \$	Foreign currency translation adjustment reserve \$	Accumulated profits \$	Sub-total \$	Non-controlling interest \$	Total \$
Balance at 1 January 2020	1,151,000	128,708	1,210,023	2,489,731	100	2,489,831
Total comprehensive income for the year	–	(59,365)	767,086	707,721	–	707,721
Balance at 31 December 2020	1,151,000	69,343	1,977,109	3,197,452	100	3,197,552
Total comprehensive income for the year	–	(56,695)	838,597	781,902	–	781,902
Dividend paid (Note 29)	–	–	(1,200,000)	(1,200,000)	–	(1,200,000)
Balance at 31 December 2021	1,151,000	12,648	1,615,706	2,779,354	100	2,779,454

R Systems IBIZCS Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

Statements of Changes in Equity for the financial year ended 31 December 2021 – continued

	Share capital \$	Accumulated profits \$	Total \$
Company			
Balance at 1 January 2020	1,151,000	473,552	1,624,552
Total comprehensive income for the year	–	427,227	427,227
Balance at 31 December 2020	1,151,000	900,779	2,051,779
Total comprehensive income for the year	–	1,198,064	1,198,064
Dividends paid (Note 29)	–	(1,200,000)	(1,200,000)
Balance at 31 December 2021	<u>1,151,000</u>	<u>898,843</u>	<u>2,049,843</u>

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

R Systems IBIZCS Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

Consolidated Cash Flow Statement for the financial year ended 31 December 2021

	2021	2020
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,071,089	848,691
Adjustments for:		
Amortisation of intangible assets	31,885	–
Depreciation of plant and equipment	25,867	40,322
Depreciation of right-of-use asset	140,070	164,535
Bad debt written off on trade	18,456	20,283
Interest expenses on lease liabilities	12,671	12,793
Allowance for expected credit losses on contract asset	35,991	61,977
Allowance for expected credit losses on trade receivables	59,025	72,194
Gain on early termination of right-of-use assets	(587)	–
Reversal of allowance for impairment on trade receivables	(157,647)	(240,714)
Currency alignment	(50,103)	(75,485)
Operating profit before working capital changes	1,186,717	904,596
(Increase)/decrease in trade and other receivables, contract assets	(203,907)	483,183
Increase/(decrease) in trade and other payables, contract liabilities	232,178	(55,386)
Decrease/(increase) in amounts due from ultimate holding company	73,994	(73,994)
(Decrease)/increase in amounts due to related party	(3,200)	8,336
Cash generated from operations	1,285,782	1,266,735
Tax paid	(217,933)	(52,147)
Net cash flows from operating activities	1,067,849	1,214,588
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow in acquisition of business	(127,318)	–
Purchase of plant and equipment	(46,112)	(22,138)
Net cash flows used in investing activities	(173,430)	(22,138)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease)/increase in amounts due to intermediate holding company	(1,680)	25,200
(Decrease)/increase in amounts due to holding company	(5,468)	5,468
(Increase)/decrease in amounts due from related company	(24,716)	123,720
Interest paid	(12,671)	(12,793)
Repayment of lease liabilities	(135,533)	(170,888)
Dividend paid	(1,200,000)	–
Net cash flows used in financing activities	(1,380,068)	(29,293)
Net (decrease)/increase in cash and cash equivalents	(485,649)	1,163,157
Cash and cash equivalents at beginning of year	4,247,886	3,084,729
Cash and cash equivalents at end of year	3,762,237	4,247,886

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

Notes to the Financial Statements – 31 December 2021

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 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 Group and 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 2021:

	(Effective for annual periods beginning on or after)
Amendment to FRS 116: <i>Covid-19-Related Rent Concession Beyond 30 June 2021</i>	1 April 2021
Amendments to FRS109, FRS 39, FRS 107, FRS104, FRS 116: <i>Interest rate benchmark reform- phase 2</i>	1 January 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

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.

Standards issued but not yet effective

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

	(Effective for annual periods beginning on or after)
Amendments to FRS 103: <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to FRS 16: <i>Property, Plant and Equipment Proceeds before Intended Use</i>	1 January 2022
Amendments to FRS 37: <i>Onerous Contracts Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to FRSs 2018 – 2021 – FRS 101: <i>First-time Adoption of Financial Reporting Standards</i> – FRS 109: <i>Financial Instruments Illustrative Examples accompanying FRS 116 Leases</i>	1 January 2022
Amendment to FRS 1: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to FRS1 and FRS Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendment to FRS 8: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendment to FRS 12: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transactions</i>	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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) *Basis of consolidation (continued)*

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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.

(i) *Transactions and balances*

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Functional currency (continued)*

(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.

Depreciation is calculated 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 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)

(e) *Intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Intangible asset are depreciated on straight-line basis over the estimated useful lives of the assets as follows

Software	–	3 years
Non-compete fee	–	Over the non-compete period
Customer contract	–	Over the contract period

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

▪ *Purchased goodwill*

Purchased goodwill is attributable to the acquisition of the business. Purchased goodwill measures at the date of business acquisition as the fair values of the consideration transferred over the net recognised amount of the identifiable assets acquired. The purchased goodwill acquired has an indefinite useful lives as the management believes there is no foreseeable limit to the period over which the business acquired is expected to generate net cash inflows for the Company. The purchased goodwill is tested annually for impairment.

Notes to the Financial Statements – 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *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.

(g) *Leases*

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys 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.

(i) *As lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

▪ *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office premises	3 years
Guest house	1.5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment as the accounting policy disclosed in Note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases (continued)

(i) As lessee

▪ *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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 Group shall use its incremental borrowing rate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

▪ *Short term and low value leases*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) *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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade receivables 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 FVPL, directly attributable transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) *Financial instrument (continued)*

(ii) *Financial liabilities (continued)*

Subsequent measurement

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

(i) *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 Group 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) *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.

(j) *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.

(k) *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.

(l) *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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) *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.

(n) *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.

(o) *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.

(p) *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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) *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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) *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 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.

Notes to the Financial Statements – 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) *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.

(s) *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 performed 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)*

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

R Systems IBIZCS Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

Notes to the Financial Statements – 31 December 2021

4. PLANT AND EQUIPMENT

Group	Communication equipment \$	Furniture and fitting \$	Computer equipment \$	Leasehold improvements \$	Total \$
Cost:					
At 1 January 2020	81,623	55,997	137,500	123,951	399,071
Additions	–	–	22,138	–	22,138
Currency alignment	862	(246)	(658)	(314)	(356)
At 31 December 2020 and 1 January 2021	82,485	55,751	158,980	123,637	420,853
Additions	886	624	44,602	–	46,112
Acquired during the year	–	–	3,871	–	3,871
Disposal	–	–	(5,024)	–	(5,024)
Currency alignment	961	(49)	(817)	(471)	(376)
At 31 December 2021	84,332	56,326	201,612	123,166	465,436
Accumulated depreciation:					
At 1 January 2020	80,236	43,977	109,127	109,950	343,290
Charge for the year	615	5,876	22,306	11,525	40,322
Currency alignment	891	(143)	(580)	(254)	(86)
At 31 December 2020 and 1 January 2021	81,742	49,710	130,853	121,221	383,526
Charge for the year	507	3,516	20,524	1,320	25,867
Disposal	–	–	(5,024)	–	(5,024)
Currency alignment	994	25	(566)	(444)	9
At 31 December 2021	83,243	53,251	145,787	122,097	404,378
Net carrying amount:					
At 31 December 2020	743	6,041	28,127	2,416	37,327
At 31 December 2021	1,089	3,075	55,825	1,069	61,058

R Systems IBIZCS Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

Notes to the Financial Statements – 31 December 2021

4. PLANT AND EQUIPMENT (continued)

Company	Communication equipment \$	Furniture and fitting \$	Computer equipment \$	Leasehold improvements \$	Total \$
Cost:					
At 1 January 2020	31,839	12,311	67,308	44,777	156,235
Additions	–	–	16,259	–	16,259
At 31 December 2020 and 1 January 2021	31,839	12,311	83,567	44,777	172,494
Additions	–	–	27,996	–	27,996
At 31 December 2021	31,839	12,311	111,563	44,777	200,490
Accumulated depreciation:					
At 1 January 2020	31,751	8,523	46,998	44,013	131,285
Charge for the year	88	2,768	15,671	764	19,291
At 31 December 2020 and 1 January 2021	31,839	11,291	62,669	44,777	150,576
Charge for the year	–	656	13,088	–	13,744
At 31 December 2021	31,839	11,947	75,757	44,777	164,320
Net carrying amount:					
At 31 December 2020	–	1,020	20,898	–	21,918
At 31 December 2021	–	364	35,806	–	36,170

R Systems IBIZCS Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

Notes to the Financial Statements – 31 December 2021

5. INVESTMENT IN SUBSIDIARIES

	Company	
	2021 \$	2020 \$
Unquoted shares, at cost	1,603,819	1,473,784
Less: Impairment loss	<u>(260,289)</u>	<u>(260,289)</u>
	<u>1,343,530</u>	<u>1,213,495</u>

Details of the subsidiaries at 31 December 2021 are as follows:

Name and principal activities	Country of incorporation	Cost of investments		Proportion (%) of ownership interest	
		2021 \$	2020 \$	2021 %	2020 %
<i>Held by the Company</i>					
IBIZ Consulting Services Pte Ltd (I.T. integrated solution services and I.T. support)	Singapore	799,000	799,000	100	100
R Systems IBIZCS Sdn. Bhd. (FKA: IBIZ Consulting Services Sdn. Bhd.) (I.T. integrated solution services and I.T. support)	Malaysia	176,675	176,675	100	100
PT RSYSTEMS IBIZCS International (FKA: PT. IBIZCS Indonesia) (I.T. integrated solution services and I.T. support)	Indonesia	359,250	359,250	99.56	99.56
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	267,035	137,000	100	100
<i>Held by direct subsidiary – IBIZ Consulting Services Limited</i>					
IBIZ Consulting Services (Shanghai) Co., Ltd (I.T. integrated solution services and I.T. support)	China	–	–	100	100
		<u>1,603,819</u>	<u>1,473,784</u>		

During the financial year, the Company has subscribed for additional 600,000 shares in the share capital of one of the subsidiaries, IBIZ Consulting (Thailand) Co. Ltd for total cash consideration of S\$130,035.

Notes to the Financial Statements – 31 December 2021

6. INTANGIBLE ASSETS

Group	Purchased goodwill	Customer contract	Non-compete fee	Software	Total
	\$	\$	\$	\$	\$
Cost:					
At 1 January 2021	–	–	–	–	–
Acquired during the year	18,678	53,302	45,880	45,892	163,752
Currency alignment	(604)	(1,726)	(1,485)	(1,485)	(5,300)
At 31 December 2021	18,074	51,576	44,395	44,407	158,452
Amortization:					
At 1 January 2021	–	–	–	–	–
Acquired during the year	–	19,636	4,593	7,656	31,885
Currency alignment	–	(655)	(153)	(255)	(1,063)
At 31 December 2021	–	18,981	4,440	7,401	30,822
Net carrying amount:					
At 31 December 2021	18,074	32,595	39,955	37,006	127,630

On June 30, 2021, IBIZ Consulting (Thailand) Co. Ltd , a wholly owned step down subsidiary of the Company has completed the acquisition of DC Dynamic Solution Co. Ltd (“the Seller”) business of implementing, providing maintenance and support for Microsoft Dynamics Navision ERP and other related information technology services for a consideration of S\$127,318 (THB 3.03 million). All profits / losses relating to the aforesaid acquisition are included in these consolidated financial statements.

Amount represents the gain on acquisition of intangible assets in subsidiary from third party. No impairment loss provided as the subsidiary was started to generated revenue during the year.

The fair value of the assets/(liability) as at date of acquisition were:

	Total
	\$
<u>Assets</u>	
Computer equipment	3,871
Intangible assets	145,073
Total assets at fair value	162,322
<u>Liability</u>	
Deferred revenue	(40,304)
Total assets at fair value	108,640
Goodwill arising on acquisition	18,678
Total cash consideration	127,318

Notes to the Financial Statements – 31 December 2021

7. RIGHT OF USE ASSETS

Group	Guest house	Office	Total
	\$	\$	\$
Cost:			
At 1 January 2020	45,107	453,581	498,688
Addition	45,107	310,733	355,840
At 31 December 2020	90,214	764,314	854,528
Addition	70,789	77,934	148,723
Written off	(45,107)	–	(45,107)
Early termination	(45,107)	–	(45,107)
At 31 December 2021	70,789	842,248	913,037
Accumulated depreciation:			
At 1 January 2020	45,107	389,171	434,278
Charge for the year	22,554	141,981	164,535
Currency alignment	–	112	112
At 31 December 2020	67,661	531,264	598,925
Charge for the year	10,467	129,603	140,070
Written off	(45,107)	–	(45,107)
Early termination	(30,071)	–	(30,071)
Currency alignment	–	(48)	(48)
At 31 December 2021	2,950	660,819	663,769
Net carrying amount:			
At 31 December 2020	22,553	233,050	255,603
At 31 December 2021	67,839	181,429	249,268
Company	Guest house	Office	Total
	\$	\$	\$
Cost:			
At 1 January 2020	45,107	348,235	393,342
Addition	45,107	310,733	355,840
At 31 December 2020	90,214	658,968	749,182
Addition	70,789	–	70,789
Written off	(45,107)	(348,235)	(393,342)
Early termination	(45,107)	–	(45,107)
At 31 December 2021	70,789	310,733	381,522
Accumulated depreciation:			
At 1 January 2020	45,107	319,215	364,322
Charge for the year	22,554	106,703	129,257
At 31 December 2020	67,661	425,918	493,579
Charge for the year	10,467	103,577	114,044
Written off	(45,107)	(348,235)	(393,342)
Early termination	(30,071)	–	(30,071)
At 31 December 2021	2,950	181,260	184,210
Net carrying amount:			
At 31 December 2020	22,553	233,050	255,603
At 31 December 2021	67,839	129,473	197,312

Notes to the Financial Statements – 31 December 2021

7. RIGHT OF USE ASSETS (continued)

The Group and the Company had entered commercial leases mainly on office premises and guesthouse. The average lease terms are 2 to 3 years (2020: 2 to 3 years).

The maturity analysis of lease liabilities are present in Note 18.

(i) *Amounts recognised in profit and loss*

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Depreciation expense on right-of-use assets	140,070	164,535	111,044	129,257
Interest expense on lease liabilities	12,671	12,793	10,079	12,058
	<u>152,741</u>	<u>177,328</u>	<u>121,123</u>	<u>141,315</u>

(ii) *Total cash outflow*

The Group and Company had total cash flow for all the leases of S\$153,555 and S\$122,586 respectively. (2020: S\$183,681 and S\$146,255).

(iii) *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.

8. TRADE RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Trade receivables	2,169,948	1,770,092	1,265,287	1,024,298
Less: Allowance for expected credit losses	(138,233)	(240,032)	(96,757)	(171,140)
	<u>2,031,715</u>	<u>1,530,060</u>	<u>1,168,530</u>	<u>853,158</u>

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.

Notes to the Financial Statements – 31 December 2021

8. TRADE RECEIVABLES (continued)

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 receivables over 180 days past due because historical experience has indicated that these receivables are generally not recoverable.

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 2020	435,560
Allowance made for the year	72,194
Amounts written off	(12,441)
Reversal during the year	(240,714)
Currency alignment	(14,567)
Balance as at 31 December 2020	<u>240,032</u>
Allowance made for the year	59,025
Reversal during the year	(157,647)
Currency alignment	(3,177)
Balance as at 31 December 2021	<u><u>138,233</u></u>
Company	
Balance as at 1 January 2020	366,500
Allowance made for the year	20,557
Amounts written off	(10,086)
Reversal during the year	(205,831)
Balance as at 31 December 2020	<u>171,140</u>
Reversal during the year	(74,383)
Balance as at 31 December 2021	<u><u>96,757</u></u>

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

Notes to the Financial Statements – 31 December 2021

8. TRADE RECEIVABLES (continued)

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

Group	Expected credit loss %	Gross carrying amount \$	Impairment loss allowance \$	Credit impaired
2021				
Current (not past due)	0.43	501,343	(1,679)	No
1 to 90 days past due	0.41	1,265,519	(1,494)	No
90 to 180 days past due	0.88	272,823	(4,797)	No
More than 180 days past due	2.00	130,263	(130,263)	Yes
		<u>2,169,948</u>	<u>(138,233)</u>	
2020				
Current (not past due)	0.72	383,666	(2,332)	No
1 to 90 days past due	0.29	865,663	(2,205)	No
90 to 180 days past due	0.66	244,967	(1,567)	No
More than 180 days past due	2.00	275,796	(233,928)	Yes
		<u>1,770,092</u>	<u>(240,032)</u>	
Company				
2021				
Current (not past due)	0.43	121,496	–	No
1 to 30 days past due	0.41	461,086	–	No
31 to 60 days past due	0.88	190,499	–	No
61 to 90 days past due	3.07	133,842	(4,116)	No
More than 90 days past due	25.85	358,364	(92,641)	No
		<u>1,265,287</u>	<u>(96,757)</u>	
2020				
Current (not past due)	0.00	–	–	No
1 to 30 days past due	0.31	301,602	–	No
31 to 60 days past due	0.31	201,281	–	No
61 to 90 days past due	1.59	121,524	(1,935)	Yes
More than 90 days past due	53.05	399,891	(169,205)	Yes
		<u>1,024,298</u>	<u>(171,140)</u>	

Notes to the Financial Statements – 31 December 2021

8. TRADE RECEIVABLES (continued)

Trade receivables are denominated in the following currencies:

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Others	22,583	98,216	–	–
Indonesian Rupiah	98,868	148,071	–	–
Malaysia Ringgit	730,411	–	–	–
Singapore Dollar	935,869	1,108,772	924,546	699,734
United States Dollar	243,984	175,001	243,984	153,424
	<u>2,031,715</u>	<u>1,530,060</u>	<u>1,168,530</u>	<u>853,158</u>

9. OTHER RECEIVABLES

Deposits	68,148	64,885	40,315	38,905
Deferred costs	2,067	206,684	70	5,217
Prepayments	24,951	61,248	9,835	11,167
Staff advances – interest free	34,419	36,865	10,847	3,841
GST receivable	–	2,279	–	–
Sundry receivables	96	625	–	–
	<u>129,681</u>	<u>372,586</u>	<u>61,067</u>	<u>59,130</u>

Other receivables are denominated in the following currencies:

Chinese Renminbi	–	1,247	–	–
Indonesia Rupiah	37,544	47,030	–	–
Malaysia Ringgit	9,306	11,352	–	–
Singapore Dollar	51,162	42,746	51,162	42,746
	<u>98,012</u>	<u>102,375</u>	<u>51,162</u>	<u>42,746</u>

10. CONTRACT ASSETS

Contract assets	679,810	674,193	423,573	532,614
Less: Allowance for expected credit losses	(96,775)	(83,427)	(83,540)	(70,000)
	<u>583,035</u>	<u>590,766</u>	<u>340,033</u>	<u>462,614</u>

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.

Notes to the Financial Statements – 31 December 2021

10. CONTRACT ASSETS (continued)

The movement in allowances accounts used to record the impairment as follows:

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Balance at beginning of year	83,427	21,450	70,000	21,450
Charge for the year	35,991	61,977	35,991	48,550
Reversal during the year	(22,451)	–	(22,451)	–
Currency alignment	(192)	–	–	–
Balance at end of the year	<u>96,775</u>	<u>83,427</u>	<u>83,540</u>	<u>70,000</u>

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	%	\$	\$	
2021				
Current (not past due)	0.43	287,661	–	No
1 to 90 days past due	0.41	191,902	–	No
90 to 180 days past due	0.88	103,585	(113)	No
More than 180 days past due	2.00	96,662	(96,662)	Yes
		<u>679,810</u>	<u>(96,775)</u>	
2020				
Current (not past due)	0.72	197,263	–	No
1 to 90 days past due	0.29	225,803	–	No
90 to 180 days past due	0.66	123,121	–	No
More than 180 days past due	2.00	128,005	(83,427)	Yes
		<u>674,193</u>	<u>(83,427)</u>	
Company				
2021				
Current (not past due)	0.43	80,648	–	No
1 to 90 days past due	0.88	178,131	–	No
90 to 180 days past due	3.07	100,491	(19,237)	No
More than 180 days past due	25.85	64,303	(64,303)	Yes
		<u>423,573</u>	<u>(83,540)</u>	
2020				
Current (not past due)	0.65	162,541	–	No
1 to 90 days past due	0.31	176,472	–	No
90 to 180 days past due	0.75	117,087	–	No
More than 180 days past due	2.00	76,514	(70,000)	Yes
		<u>532,614</u>	<u>(70,000)</u>	

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.

Notes to the Financial Statements – 31 December 2021

11. AMOUNTS DUE FROM/(TO) ULTIMATE HOLDING COMPANY

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

12. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

	Company	
	2021	2020
	\$	\$
<u>Amount due from subsidiary companies</u>		
Trade	714,336	1,051,466
Less: Allowance for impairment	<u>(625,344)</u>	<u>(915,903)</u>
	88,992	135,563
Non-trade	568,474	568,474
Less: Allowance for impairment	<u>(448,436)</u>	<u>(565,485)</u>
	120,038	2,989
	<u>209,030</u>	<u>138,552</u>

The movement in allowances accounts used to record the impairment as follows:

Balance at beginning of year	1,481,388	1,451,317
Charge to for the year	2,988	30,071
Reversal during the year	<u>(410,596)</u>	<u>–</u>
Balance at end of the year	<u>1,073,780</u>	<u>1,481,388</u>

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

Singapore Dollar	140,821	94,496
United States Dollar	<u>68,209</u>	<u>44,056</u>
	<u>209,030</u>	<u>138,552</u>

Amount due to subsidiary companies

Trade	28,886	66,691
Non-trade	<u>334,190</u>	<u>332,741</u>
	<u>363,076</u>	<u>399,432</u>

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

Malaysia Ringgit	–	34,689
Singapore Dollar	339,588	332,741
United States Dollar	<u>23,488</u>	<u>32,002</u>
	<u>363,076</u>	<u>399,432</u>

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

Notes to the Financial Statements – 31 December 2021

13. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

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

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
Cash at bank	3,473,940	3,371,955	1,718,691	1,815,805
Cash on hand	4,257	3,583	205	1
Short term deposit	284,040	872,348	–	–
	<u>3,762,237</u>	<u>4,247,886</u>	<u>1,718,896</u>	<u>1,815,806</u>

Cash and cash equivalents are denominated in the following currencies:

Chinese Renminbi	336,155	524,053	–	–
Indonesia Rupiah	757,751	1,211,097	–	–
Malaysia Ringgit	417,509	315,866	–	–
Singapore Dollar	989,177	1,559,151	768,240	1,369,152
Thai Baht	72,943	101,612	–	–
United States dollar	1,188,702	536,107	950,656	446,654
	<u>3,762,237</u>	<u>4,247,886</u>	<u>1,718,896</u>	<u>1,815,806</u>

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 3.5% to 3.9% (2020: 3.5% to 3.9%) per annum.

15. TRADE PAYABLES

Trade payable are denominated in the following currencies:

Others	406	–	–	–
Chinese Renminbi	34,933	3,779	–	–
Indonesia Rupiah	80,400	–	–	–
Malaysia Ringgit	464,359	226,827	–	–
Singapore Dollar	101,642	167,594	101,642	153,420
United States dollar	485,080	437,691	434,343	405,528
	<u>1,166,820</u>	<u>835,891</u>	<u>535,985</u>	<u>558,948</u>

Notes to the Financial Statements – 31 December 2021

16. OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Accrued liabilities	119,027	178,020	87,100	131,293
Accrued salaries and related cost	335,155	216,048	138,299	78,883
GST payables	118,826	200,410	73,502	66,033
Deferred grant	–	15,606	–	–
Advance from customer	5,044	26,619	–	–
Provision for unutilised leave	23,583	142,618	65,435	116,732
Withholding tax payable	121,579	57,189	–	–
Sundry payables	31,263	48,398	13,064	9,765
	<u>754,477</u>	<u>884,908</u>	<u>377,400</u>	<u>402,706</u>

Other payables are denominated in the following currencies:

Chinese Renminbi	18,249	19,186	–	–
Hong Kong Dollar	2,565	2,523	–	–
Malaysia Ringgit	125,353	20,660	–	–
Singapore Dollar	246,207	249,862	238,463	219,941
Indonesia Rupiah	87,425	140,952	–	–
Thai Baht	5,646	9,283	–	–
	<u>485,445</u>	<u>442,466</u>	<u>238,463</u>	<u>219,941</u>

17. 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.

18. LEASE LIABILITIES

Analysed as:

Current	167,900	125,133	141,549	125,133
Non-current	90,467	135,430	61,867	135,430
	<u>258,367</u>	<u>260,563</u>	<u>203,416</u>	<u>260,563</u>
Maturity analysis:				
Year 1	176,162	135,086	148,886	135,086
Year 2	92,840	111,686	63,008	111,686
Year 3	–	27,921	–	27,921
	<u>269,002</u>	<u>274,693</u>	<u>211,894</u>	<u>274,693</u>
Unearned interest	(10,635)	(14,130)	(8,478)	(14,130)
	<u>258,367</u>	<u>260,563</u>	<u>203,416</u>	<u>260,563</u>

R Systems IBIZCS Pte. Ltd. and its Subsidiaries
(Co. Reg. No. 200715700E)

Notes to the Financial Statements – 31 December 2021

18. LEASE LIABILITIES (continued)

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.

A reconciliation of (asset)/liabilities arising from financing activities is as follows:

	1.1.2021			Non-cash changes			31.12.2021		
		Cash flows	Accretion of	Addition	Decapitalised	Others			
	\$	Repayment \$	Rent concession \$	\$	\$	\$	\$	\$	\$
Amounts due to ultimate holding company	25,200	(1,680)	-	-	-	-	-	-	23,520
Amounts due to holding company	5,468	(5,468)	-	-	-	-	-	-	-
Amounts due from related company	(1,465)	(24,716)	-	-	-	-	-	-	(26,181)
Lease liabilities	125,251	(141,612)	(6,592)	12,671	148,650	(15,431)	44,963	167,900	90,467
- Current	135,430	-	-	-	-	-	(44,963)	90,467	-
- Non-current	292,814	(166,884)	(6,592)	12,671	148,650	(15,431)	-	255,706	-
	1.1.2020	Cash flows	Accretion of	Non-cash changes			31.12.2020		
	\$	Repayment \$	interests \$	Addition	Others				
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Amounts due to ultimate holding company	-	25,200	-	-	-	25,200	-	-	-
Amounts due to holding company	-	5,468	-	-	-	5,468	-	-	-
Amounts due from related company	(125,185)	123,720	-	-	-	1,465	-	-	-
Lease liabilities	75,729	(183,681)	12,793	355,840	(135,430)	167,900	167,900	167,900	167,900
- Current	-	-	-	-	135,430	135,430	135,430	135,430	135,430
- Non-current	(49,456)	(29,293)	12,793	355,840	-	292,814	-	292,814	-

Notes to the Financial Statements – 31 December 2021

19. AMOUNT DUE TO HOLDING COMPANY

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

20. TAX PAYABLE

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Balance at beginning of year	53,005	25,365	–	–
Current year's tax expense on profit	227,477	92,198	60,826	–
Currency alignment	4,716	(1,818)	–	–
Income tax paid	(217,931)	(52,147)	(21,554)	–
Under/(over) provision in prior year	5,016	(10,593)	–	–
Balance at end of year	<u>72,283</u>	<u>53,005</u>	<u>39,272</u>	<u>–</u>

21. SHARE CAPITAL

	Group and Company			
	2021		2020	
	Number of shares	\$	Number of shares	\$
Issued and fully paid:				
Ordinary shares	<u>1,151,000</u>	<u>1,151,000</u>	<u>1,151,000</u>	<u>1,151,000</u>

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.

22. 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.

23. REVENUE

	Group	
	2021	2020
	\$	\$
<i>Type of goods and services:</i>		
Sale of licence	4,688,044	2,652,008
Sale of hardware	47,055	37,318
Rendering of services	4,465,057	5,117,252
Annual maintenance and support service	1,488,316	1,311,568
Hosting service	723,315	743,583
	<u>11,411,787</u>	<u>9,861,729</u>

Notes to the Financial Statements – 31 December 2021

23. REVENUE (continued)

	Group	
	2021	2020
	\$	\$
<i>Timing of revenue recognition:</i>		
Goods transferred at a point in time	4,735,099	2,689,326
Services transferred over time	6,676,688	7,172,403
	<u>11,411,787</u>	<u>9,861,729</u>

24. OTHER OPERATING INCOME

Government grants – Special employment credit	2,052	3,802
Government grants – Wage credit scheme	–	9,610
Government grants – PIC cash payout	–	3,587
Government grants – Others	1,429	200
Interest income	20,091	31,267
Commission income	51,360	6,387
Rent concessions	6,592	3,558
Sundry income	2,576	8,939
	<u>84,100</u>	<u>67,350</u>

25. STAFF COSTS

Salaries, bonuses and others	4,516,663	4,788,653
Contribution to defined contribution plan	320,932	316,488
Other staff costs	87,813	183,923
<i>Total employee benefits</i>	<u>4,925,408</u>	<u>5,289,064</u>
Skill development levy	–	4,115
Government grants – Job support scheme	(56,227)	(275,191)
	<u>4,869,181</u>	<u>5,017,988</u>

The job support scheme payout is a government grant to provide wage support to employers to help them retain their local employees during the period of economic uncertainty due to COVID-19 pandemic.

26. FINANCE COST

Interest expense on lease liabilities	<u>12,671</u>	<u>12,793</u>
---------------------------------------	---------------	---------------

27. OTHER EXPENSES

The other expenses are arrived at after crediting:

Foreign exchange adjustment, gain	<u>(19,326)</u>	<u>(3,706)</u>
-----------------------------------	-----------------	----------------

28. INCOME TAX EXPENSE

(i) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

	Group	
	2021	2020
	\$	\$
Statement of comprehensive income:		
Current tax	227,477	92,198
Under/(over) provision in prior year	<u>5,016</u>	<u>(10,593)</u>
	<u>232,493</u>	<u>81,605</u>

(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 2021 and 2020 are as follows:

Profit before tax	<u>1,071,089</u>	<u>848,691</u>
Tax at domestic rates applicable to profit in the country where the Group operates	248,824	144,271
Adjustments:		
Tax effect of expenses that are not deductible in determining taxable profit	(78,238)	(12,812)
Tax rebates	(17,425)	(91)
Income not subject to tax	(27,736)	(64,923)
Tax exemption	(1,632)	(1,087)
Tax effect of temporary differences not recognised	12,735	39,198
Utilisation of deferred tax assets not recognised in prior year	(11,227)	–
Effect of differences in tax rates	52,929	–
Over/(under) provision in current year	47,508	(271)
Under/(over) provision in prior year	5,016	(10,593)
Others	<u>1,739</u>	<u>(12,087)</u>
Total tax expense	<u>232,493</u>	<u>81,605</u>

Notes to the Financial Statements – 31 December 2021

29. DEFERRED TAXATION

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Deferred tax liabilities/(assets):				
Difference in depreciation	1,389	962	1,389	962
Capital allowances carry forward	–	(495)	–	–
Tax losses carry-forward	–	(27,243)	–	(2,248)
Other temporary differences	(261)	839	(261)	839
Total deferred tax (liabilities)/assets	1,128	(25,937)	1,128	(447)
Deferred tax on temporary differences not recognised	(1,128)	25,937	(1,128)	447
Balance	–	–	–	–

Unrecognised tax losses

As at the end of the reporting period, the Group and Company have unutilised tax losses and capital allowance of approximately \$92,000 (2020: \$160,000) and \$Nil (2020: \$2,900) 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.

30. DIVIDEND PAID

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Interim Tax Exempt (One-tier) Dividend declared and paid during the financial year:				
– Ordinary shares \$1.04 per share	1,200,000	–	1,200,000	–

Notes to the Financial Statements – 31 December 2021

31. 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	
	2021	2020	2021	2020
	\$	\$	\$	\$
<i>Ultimate holding company</i>				
Purchases of goods/services	453,001	126,090	267,960	–
<i>Intermediate holding company</i>				
Service income	775,383	1,155,905	–	–
<i>Immediate holding company</i>				
Support service fee	–	314,720	–	314,720
<i>Holding company</i>				
Consultancy fee	–	–	7,490	5,468
<i>Related companies</i>				
Lease rental charges	–	37,710	–	–
<i>Related party</i>				
Sale	13,632	2,781	–	–
Consultancy fee	104,507	126,293	–	–
Support charges	31,900	29,808	31,900	29,808
<i>Subsidiaries</i>				
Sales	–	–	292,111	168,728
Advances from	–	–	–	146,498
Dividend income	–	–	706,823	–

Notes to the Financial Statements – 31 December 2021

31. 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	
	2021	2020
	\$	\$
Directors' fee	–	1,970
Directors' remuneration	<u>302,412</u>	<u>371,677</u>

32. 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.

Notes to the Financial Statements – 31 December 2021

32. 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							
2021							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	2,169,948	(138,233)	2,031,715
Other receivables	9	N.A.	Performing	12m ECL	98,012	–	98,012
Contract assets	10	N.A.	(a)	Lifetime ECL (simplified approach)	679,810	(96,775)	583,035
Amounts due from related companies	13	N.A.	(b)	12m ECL	26,181	–	26,181
						<u>(235,008)</u>	

Notes to the Financial Statements – 31 December 2021

32. 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 \$
Group (continued)							
2020							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	1,770,092	(240,032)	1,530,060
Other receivables	9	N.A.	Performing	12m ECL	102,375	–	102,375
Contact assets	10	N.A.	(a)	Lifetime ECL (simplified approach)	674,193	(83,427)	590,766
Amounts due from ultimate holding company	11	N.A.	(b)	12m ECL	73,994	–	73,994
Amounts due from related companies	13	N.A.	(b)	12m ECL	1,465	–	1,465
						<u>(323,459)</u>	
Company							
2021							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	1,265,287	(96,757)	1,168,530
Other receivables	9	N.A.	Performing	12m ECL	51,162	–	51,162
Contract assets	10	N.A.	(a)	Lifetime ECL (simplified approach)	423,573	(83,540)	340,033
Amount due from subsidiaries	12	N.A.	(b)	12m ECL	1,282,810	(1,073,780)	209,030
						<u>(1,254,077)</u>	
2020							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	1,024,298	(171,140)	853,158
Other receivables	9	N.A.	Performing	12m ECL	42,746	–	42,746
Contract assets	10	N.A.	(a)	Lifetime ECL (simplified approach)	532,614	(70,000)	462,614
Amount due from subsidiaries	12	N.A.	(b)	12m ECL	1,619,940	(1,481,388)	138,552
						<u>(1,722,528)</u>	

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) *Credit risk (continued)*

(a) Trade receivables and contract assets

For trade receivables and contract assets, 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).

(b) Amount due from related parties, related companies and subsidiaries

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.

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).

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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) and Indonesia Rupiah (IDR).

Sensitivity analysis for foreign currency risk

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

	Profit before tax	
	2021	2020
	\$	\$
USD		
– strengthened 0.3% (2020: 5%)	6,406	21,404
– weakened 0.3% (2020: 5%)	(6,406)	(21,404)
RMB		
– strengthened 10% (2020: 5%)	8,645	1,332
– weakened 10% (2020: 5%)	(8,645)	(1,332)
IDR		
– strengthened 2% (2020: 2%)	24,180	33,225
– weakened 2% (2020: 2%)	<u>(24,180)</u>	<u>(33,225)</u>

(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.

Notes to the Financial Statements – 31 December 2021

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) *Liquidity risk (continued)*

Analysis of financial instruments by remaining contractual maturities

The table below analyses the maturity profile of the Company's financial liabilities at the end of reporting period, based on contractual undiscounted repayment obligations.

Group	Total \$	Within one year \$	Within two to five years \$
2021			
Trade payables	1,166,820	1,166,820	–
Other payables	485,445	485,445	–
Lease liabilities	269,002	176,162	92,840
Amounts due to ultimate holding company	23,520	23,520	–
Amounts due to related company	5,136	5,136	–
	<u>1,950,823</u>	<u>1,857,083</u>	<u>92,840</u>
2020			
Trade payables	835,891	835,891	–
Other payables	442,466	442,466	–
Lease liabilities	274,693	135,086	139,607
Amounts due to ultimate holding company	25,200	25,200	–
Amounts due to holding company	5,468	5,468	–
Amounts due to related company	8,336	8,336	–
	<u>1,592,054</u>	<u>1,452,447</u>	<u>139,607</u>
Company			
2021			
Trade payables	535,985	535,985	–
Other payables	238,463	238,463	–
Lease liabilities	211,894	148,886	63,008
Amounts due to ultimate holding company	23,520	23,520	–
Amounts due to subsidiary companies	363,076	363,076	–
Amounts due to related company	5,136	5,136	–
	<u>1,378,074</u>	<u>1,315,066</u>	<u>63,008</u>

Notes to the Financial Statements – 31 December 2021

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) *Liquidity risk (continued)*

Company (continued)	Total \$	Within one year \$	Within two to five years \$
2020			
Trade payables	558,948	558,948	–
Other payables	219,941	219,941	–
Lease liabilities	274,693	135,086	139,607
Amounts due from ultimate holding company	25,200	25,200	–
Amounts due from holding company	5,468	5,468	–
Amounts due to subsidiary companies	399,432	399,432	–
Amounts due to related company	8,336	8,336	–
	<u>1,492,019</u>	<u>1,352,411</u>	<u>139,607</u>

33. 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	
	2021 \$	2020 \$	2021 \$	2020 \$
<i>Financial assets at amortised cost</i>				
Trade receivables	2,031,715	1,530,060	1,168,530	853,158
Other receivables	98,012	102,375	51,162	42,746
Amounts due from ultimate holding company	–	73,994	–	–
Amounts due from subsidiary companies	–	–	209,030	138,552
Amounts due from related companies	26,181	1,465	–	–
Cash and cash equivalents	3,762,237	4,247,886	1,718,896	1,815,806
	<u>5,918,145</u>	<u>5,955,780</u>	<u>3,147,618</u>	<u>2,850,262</u>

Notes to the Financial Statements – 31 December 2021

33. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES (continued)

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
<i>Financial liabilities at amortised cost</i>				
Trade payables	1,166,820	835,891	535,985	558,948
Other payables	485,445	442,466	238,463	219,941
Amounts due to ultimate holding company	23,520	25,200	23,520	25,200
Amounts due from holding company	–	5,468	–	5,468
Amounts due to subsidiary companies	–	–	363,076	399,432
Amounts due to related company	5,136	8,336	5,136	8,336
	<u>1,680,921</u>	<u>1,317,361</u>	<u>1,166,180</u>	<u>1,217,325</u>

34. 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 than 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.

(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.

35. 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 2021 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.

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

COVID-19 Pandemic

With respect to the COVID-19 Pandemic implications, the management acknowledges that, although vaccine shots have been developed and approved for worldwide use, and the Company taking precautionary measures in accordance with guidelines provided by the Government, there are still uncertainties on both the possibility of a further escalation of the crisis and the extent of the impact on the international economy. The extent to which pandemic will impact the Company's operations will depend on such future developments of the COVID-19 outbreak in the coming months especially recently emergence of Omicron coronavirus variant. The advent of pandemic did not alter the management's conclusion in relation to the Going Concern assessment and it is believed that the steps and initiatives taken to date are sufficient to safeguard the Company's financial position.

Management continues to monitor any effects of the said event on the Company's results, operations and liquidity. Management does not consider that any adjustments to or further disclosures in the financial statements are required at this stage.

37. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 15 February 2022.