



HCL Insys Pte. Ltd.
Registration Number: 200923568M

Annual Report
Year ended 31 March 2019

Directors' statement

We are pleased to submit this annual report to the member of HCL Insys Pte. Ltd. (the "Company") together with the audited financial statements for the financial year ended 31 March 2019.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS32 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Sundaram Sridharan
Ravi Shankar Padi Subramanian
Nikhil Sinha (Appointed on 2 April 2019)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), no directors who held office at the end of the financial year (including those held by their spouses and infant children) had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

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 in or debentures of the Company or any other body corporate.

Share options

During the financial year, there were:

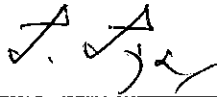
- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

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

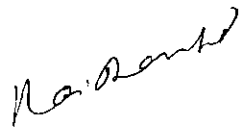
Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

Signed by the Board of Directors



Sundaram Sridharan
Director



Ravi Shankar Padi Subramanian
Director

25 October 2019



KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Independent auditors' report

Member of the Company
HCL Insys Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of HCL Insys Pte. Ltd. (the "Company"), which comprise the statement of financial position as at 31 March 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS32.

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

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *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 contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

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



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
25 October 2019

Statement of financial position
As at 31 March 2019

	Note	2019 S\$	2018 S\$
Assets			
Plant and equipment	4	4,311,008	4,307,014
Investment in a subsidiary	5	–	–
Non-current assets		4,311,008	4,307,014
Cash and bank deposits	6	11,911,472	8,479,653
Trade and other receivables	7	21,687,116	16,670,732
Other current assets	8	1,273,869	2,869,065
Current assets		34,872,457	28,019,450
Total assets		39,183,465	32,326,464
Equity			
Share capital	9	21,551,129	21,551,129
Accumulated losses		(2,315,355)	(7,625,999)
Total equity		19,235,774	13,925,130
Liabilities			
Deferred tax liabilities	10	500,408	514,573
Employee benefit obligations		82,528	114,429
Non-current liabilities		582,936	629,002
Trade and other payables	11	18,556,910	16,850,111
Current tax liabilities		615,280	578,934
Employee benefit obligations		192,565	343,287
Current liabilities		19,364,755	17,772,332
Total liabilities		19,947,691	18,401,334
Total equity and liabilities		39,183,465	32,326,464

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

Statement of comprehensive income
Year ended 31 March 2019

	Note	2019 S\$	2018 S\$
Revenue	12	104,791,482	90,818,677
Cost of sales		<u>(11,403,006)</u>	<u>(11,501,396)</u>
Gross profit		93,388,476	79,317,281
Other income	16	194,949	148,235
Impairment loss on investment in a subsidiary		–	(23,815,988)
Impairment loss on loan receivable from a subsidiary		–	(3,922,097)
Administrative expenses		(84,578,944)	(72,464,080)
Other expenses		<u>(2,723,990)</u>	<u>(1,609,679)</u>
		<u>6,280,491</u>	<u>(22,346,328)</u>
Finance income		76,438	181,187
Finance costs		<u>(502)</u>	<u>(386,124)</u>
Net finance income/(costs)		<u>75,936</u>	<u>(204,937)</u>
Profit/(Loss) before tax	13	6,356,427	(22,551,265)
Income tax expense	14	<u>(1,045,783)</u>	<u>(853,264)</u>
Profit/(Loss) for the year		5,310,644	(23,404,529)
Other comprehensive income for the year			
Other comprehensive income, net of tax		–	–
Total comprehensive income for the year		<u>5,310,644</u>	<u>(23,404,529)</u>

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

Statement of changes in equity
Year ended 31 March 2019

	Share capital S\$	Accumulated losses S\$	Total S\$
At 1 April 2017	21,551,129	15,778,530	37,329,659
Total comprehensive income for the year			
Loss for the year	–	(23,404,529)	(23,404,529)
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	(23,404,529)	(23,404,529)
At 31 March 2018	<u>21,551,129</u>	<u>(7,625,999)</u>	<u>13,925,130</u>
At 1 April 2018	21,551,129	(7,625,999)	13,925,130
Total comprehensive income for the year			
Profit for the year	–	5,310,644	5,310,644
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	5,310,644	5,310,644
At 31 March 2019	<u>21,551,129</u>	<u>(2,315,355)</u>	<u>19,235,774</u>

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

Statement of cash flows
Year ended 31 March 2019

	2019	2018
	S\$	S\$
Cash flows from operating activities		
Profit/(Loss) for the year	5,310,644	(23,404,529)
Adjustments for:		
Depreciation of plant and equipment	1,886,563	906,222
Write-off of plant and equipment	29,357	–
Interest income	(60,940)	(181,187)
Interest expense	502	41
Impairment loss on investment in a subsidiary	–	23,815,988
Impairment loss on loan receivable from a subsidiary	–	3,922,097
Income tax expense	1,045,783	853,264
Provision for leave encashment	(182,623)	457,716
	<u>8,029,286</u>	<u>6,369,612</u>
Changes in working capital:		
Trade and other receivables	(5,016,384)	(2,877,385)
Other current assets	1,595,196	(2,563,566)
Trade and other payables	1,706,799	1,044,141
Cash generated from operations	<u>6,314,897</u>	<u>1,972,802</u>
Tax paid	(1,023,602)	(760,581)
Net cash from operating activities	<u>5,291,295</u>	<u>1,212,221</u>
Cash flows from investing activities		
Interest received	60,940	181,187
Purchase of plant and equipment	(1,919,914)	(4,591,693)
Net cash used in investing activities	<u>(1,858,974)</u>	<u>(4,410,506)</u>
Cash flows from financing activity		
Interest paid	(502)	(41)
Net cash used in financing activity	<u>(502)</u>	<u>(41)</u>
Net increase/(decrease) in cash and cash equivalents	3,431,819	(3,198,326)
Cash and cash equivalents at the beginning of the year	<u>8,479,653</u>	<u>11,677,979</u>
Cash and cash equivalents at the end of the year	<u>11,911,472</u>	<u>8,479,653</u>

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 25 October 2019.

1 Domicile and activities

HCL Insys Pte. Ltd. (the Company) is a company incorporated in the Republic of Singapore. The address of the Company's registered office is 22 Malacca Street, 04-03 RB Capital Building, Singapore 048980. The address of its principal place of business is The Signature, #09-02, 51 Changi Business Park Central 2, Singapore 486066.

The principal activities of the Company are relating to Information Technology ("IT") and related activities including manufacturing of laptops, desktops and other related IT products and rendering of managed and maintenance services. The principal activities of the subsidiaries are disclosed in note 5.

The Company's immediate holding company and ultimate holding company are HCL Learning Limited and HCL Infosystems Ltd., respectively. Both the immediate and ultimate holding companies are incorporated in India.

2 Basis of preparation

2.1 Statement of compliance

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

This is the first set of the Company's annual financial statements in which FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* have been applied. Changes to significant accounting policies are described in note 2.5.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars ("S\$"), which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no critical judgements made in applying the entity's accounting policies and no assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

2.5 Changes in accounting policies

The Company has initially applied FRS 109 from 1 April 2018. The adoption of this standard does not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying FRS 109, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

A number of other new standards are also effective from 1 April 2018 but they do not have a material effect on the Company's financial statements.

FRS 109 *Financial Instruments*

FRS 109 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Company adopted FRS 109 from 1 April 2018.

In accordance with the exemption in FRS 1, the Company elected not to restate information for 2018. Accordingly, the information presented for 2018 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of FRS 109 are recognised in retained earnings and reserves as at 1 April 2018.

Arising from this election, the Company is exempted from providing disclosures required by FRS 107 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of FRS 109. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of FRS 109 have been generally applied by the Company retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 April 2018.
 - The determination of the business model within which a financial asset is held; and
 - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest of the principal amount outstanding.

The impact upon adoption of FRS 109, including the corresponding tax effects, are described below.

(i) Classification of financial assets and financial liabilities

Under FRS 109, financial assets are classified in the following categories: measured at amortised cost, fair value through other comprehensive income (FVOCI) – debt instrument, FVOCI – equity instrument; or fair value through profit or loss (FVTPL). The classification of financial assets under FRS 109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the Company classifies and measures financial assets and related gains and losses under FRS 109, see note 3.2.

The adoption of FRS 109 has not had a significant effect on the Company’s accounting policies for financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under FRS 109 for each class of the Company’s financial assets as at 1 April 2018.

		New classification under FRS 109	1 April 2018	
			Original classification under FRS 39	New carrying amount under FRS 109
			Original carrying amount under FRS 39 US\$	New carrying amount under FRS 109 US\$
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	16,670,732	16,670,732
Other current assets*	Loans and receivables	Amortised cost	205,187	205,187
Cash and bank deposits	Loans and receivables	Amortised cost	8,479,653	8,479,653
Total financial assets			25,355,572	25,355,572

* Excludes prepayments

(ii) Impairment of financial assets

FRS 109 replaces the ‘incurred loss’ model in FRS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost.

The application of FRS 109 impairment requirements at 1 April 2018 did not result in additional allowances for impairment.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Additional information about how the Company measures the allowance for impairment is described in note 3.5.

FRS 115 Revenue from Contract with Customers

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced FRS 18 *Revenue*, FRS 11 *Construction Contracts* and related interpretations. Under FRS 115, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company has adopted FRS 115 using the cumulative effect method to contracts that are not completed contracts at the date of initial application (i.e. 1 April 2018), with the effect of initially applying this standard recognised at the date of initial application.

FRS 115 did not have a significant impact on the Company's accounting policies with respect to its revenue streams.

For additional information about the Company's accounting policies relating to revenue recognition, see note 3.7.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

3.2 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 April 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment – Policy applicable from 1 April 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 April 2018

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 April 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial assets – Policy applicable before 1 April 2018

The Company recognised non-derivative financial assets into the loans and receivables category.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 April 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets were initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and bank deposits, trade and other receivables, and other current assets (excluding prepayments).

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. These financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprise trade and other payables.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.3 Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years are as follows:

Furniture and fittings	5 - 10 years
Plant and equipment	5 years
Computers	3 years
Leasehold improvement	3 years or lease period whichever is lower
Software	Licence period

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Investment in a subsidiary

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

The investment in subsidiary is stated at cost less accumulated impairment losses in the Company's statement of financial position.

3.5 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 April 2018

The Company recognises loss allowances for ECLs on financial assets measured at amortised costs.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

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

Policy applicable before 1 April 2018

A financial asset not carried at fair value through profit or loss was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets were impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers and economic conditions that correlated with defaults.

Loans and receivables

The Company considered evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables were assessed for specific impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost was calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continued to be recognised. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.6 Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.7 Revenue

Revenue from sale of services in the ordinary course of business is recognised when the Company satisfies a performance obligation (PO) by transferring control of a promised service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised services. The individual standalone selling price of a service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Company expects to be entitled in exchange for transferring the promised services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Company does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

3.8 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised.

Jobs Credit Scheme

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as 'other income' upon receipt.

3.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.10 Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.11 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under *FRS 37 Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.12 New standards and interpretations not adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 April 2018 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are effective for annual periods beginning after 1 April 2018:

Applicable to 2020 financial statements

FRS 116 Leases

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Company plans to apply FRS 116 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information. The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply FRS 116 to all contracts entered into before 1 April 2019 and identified as leases in accordance with FRS 17 and INT FRS 104.

The Company as lessee

The Company expects to measure lease liabilities by applying a single discount rate to their office leases. Furthermore, the Company is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 April 2019. For lease contracts that contain the option to renew, the Company is expected to use hindsight in determining the lease term.

The Company expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 116. The nature of expenses related to those leases will change as FRS 116 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

The Company is currently assessing the impact of FRS 116 on its ROU assets and lease liabilities as at 1 April 2019.

4 Plant and equipment

	Furniture and fittings	Plant and equipment	Computers	Leasehold improvement	Software	Capital work-in-progress	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Cost							
At 1 April 2017	401,580	11,157	1,042,176	319,711	785,167	59,770	2,619,561
Additions	196,708	—	1,876,850	994,431	1,092,585	431,119	4,591,693
Reclassification	—	—	13,727	—	16,445	(30,172)	—
At 31 March 2018	598,288	11,157	2,932,753	1,314,142	1,894,197	460,717	7,211,254
Additions	148,608	—	197,083	1,073,658	500,565	—	1,919,914
Reclassification	1,591	—	66,770	231,718	131,281	(431,360)	—
Write-off	—	—	—	—	—	(29,357)	(29,357)
At 31 March 2019	748,487	11,157	3,196,606	2,619,518	2,526,043	—	9,101,811
Accumulated depreciation							
At 1 April 2017	219,625	10,169	822,458	293,241	652,525	—	1,998,018
Depreciation for the year	92,252	258	342,762	198,508	272,442	—	906,222
At 31 March 2018	311,877	10,427	1,165,220	491,749	924,967	—	2,904,240
Depreciation for the year	105,601	258	648,739	672,895	459,070	—	1,886,563
At 31 March 2019	417,478	10,685	1,813,959	1,164,644	1,384,037	—	4,790,803
Carrying amounts							
At 1 April 2017	181,955	988	219,718	26,470	132,642	59,770	621,543
At 31 March 2018	286,411	730	1,767,533	822,393	969,230	460,717	4,307,014
At 31 March 2019	331,009	472	1,382,647	1,454,874	1,142,006	—	4,311,008

5 Investment in a subsidiary

	2019 S\$	2018 S\$
Unquoted equity investment, at cost		
At 1 April	29,179,765	29,179,765
Less: Allowance for impairment	(29,179,765)	(29,179,765)
At 31 March	—	—

The movements in allowance for impairment are as follows:

	2019 S\$	2018 S\$
At 1 April	29,179,765	5,363,777
Impairment charge	—	23,815,988
At 31 March	29,179,765	29,179,765

Details of the subsidiary are as follows:

Name of company	Principal activities	Country of incorporation and principal place of business	Equity holding by the Company	
			2019 %	2018 %
<i>Held by the Company</i>				
Nurture Technologies FZE	Developing and trading of software and hardware systems and IT solutions	Dubai, Airport Free Zone	100	100
<i>Held by subsidiary</i>				
Gibraltar Technologies LLC, Abu Dhabi	Trading of computer software, computer and data processing requisites and computer equipment and requisites	Abu Dhabi	—	49
Gibraltar Technologies LLC, Dubai	Computer devices and equipment domain consultancy, computer systems and software designing, information technology consultancy	Dubai	—	49
<i>Held by Gibraltar Technologies LLC, Abu Dhabi</i>				
Gibraltar Technologies WLL, Qatar	Provision of IT related services	Qatar	—	49

Pursuant to a resolution dated 10 October 2018, the Board of Directors of the HCL Insys Pte. Ltd. approved the sale by Nurture Technologies FZE of its subsidiaries and step down subsidiary to a group of individuals for a consideration of AED 3,395,515. The sale transaction was completed on 27 November 2018.

During the financial year, the Company performed an impairment test based on value-in-use calculations and recorded an impairment charge of S\$Nil (2018: S\$23,815,988) related to its investment in the subsidiary, in the profit or loss. The impairment charge arose on account of continued losses at the subsidiary.

The value-in-use calculation requires the use of management's assumptions and estimates. Changing the key assumptions, including the discount rate or the growth rate assumptions in the cash flow projections could materially affect the value-in-use calculations.

The financial statements are the separate financial statements of the Company. The Company is exempted from the preparation of consolidated financial statements as the Company is a wholly-owned subsidiary of HCL Infosystems Ltd., a company incorporated in India, listed on the Bombay Stock Exchange which publishes consolidated financial statements available for public use. The registered office of HCL Infosystems Ltd. is 806, Siddhartha, 96, Nehru Place, New Delhi – 110 019.

6 Cash and bank deposits

	2019 S\$	2018 S\$
Cash at bank and on hand	6,376,114	6,497,091
Short-term bank deposits	5,535,358	1,982,562
	<u>11,911,472</u>	<u>8,479,653</u>

The short-term bank deposits maturity period is 12 months (2018: 12 months) from the financial year end. The effective interest rate of these deposits as at balance sheet date is 0.60% per annum (2018: 0.60% per annum).

7 Trade and other receivables

	2019 S\$	2018 S\$
Trade receivables from:		
- third parties	18,770,765	16,227,688
- related corporations	20,183	20,183
- a subsidiary	589,798	419,118
	<u>19,380,746</u>	<u>16,666,989</u>
Less: Allowance for impairment of trade receivables	(175,127)	(175,127)
	19,205,619	16,491,862
Unbilled revenue	2,481,497	178,870
Loan receivable from a subsidiary	3,922,097	3,922,097
Less: Allowance for impairment on loans receivable from a subsidiary	(3,922,097)	(3,922,097)
	<u>21,687,116</u>	<u>16,670,732</u>

The trade receivables amount due from related corporations and a subsidiary are unsecured, interest-free and repayable on demand.

8 Other current assets

	2019	2018
	S\$	S\$
Deposits	182,399	204,635
Prepayments	1,090,918	2,663,878
Others	552	552
	1,273,869	2,869,065

9 Share capital

	2019	2018
	No. of shares	No. of shares
Fully paid ordinary shares, with no par value:		
In issue at 1 April and 31 March	15,818,998	15,818,998

All issued ordinary shares are fully paid. The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

10 Deferred tax liabilities

	2019	2018
	S\$	S\$
At 1 April	514,573	75,884
Tax (credited)/charged to profit or loss	(14,165)	438,689
At 31 March	500,408	514,573

The deferred income tax liabilities arise from accelerated tax depreciation of plant and equipment.

11 Trade and other payables

	2019	2018
	S\$	S\$
Trade payables to:		
- related corporations	596,930	234,043
- third parties	2,354,438	4,457,929
	2,951,368	4,691,972
Other payables to third parties	12,738,223	9,033,845
Advance received from customers	254,509	19,788
Accrual for operating expenses	2,612,810	3,104,506
	18,556,910	16,850,111

The trade payables to related corporations are unsecured, interest-free and repayable on demand.

The other payables are unsecured, interest-free and repayable on demand.

12 Revenue

	2019	2018
	S\$	S\$
Sale of goods	12,837,376	11,578,703
Rendering of services	91,954,106	79,239,974
	104,791,482	90,818,677

Revenue from rendering of services

Nature of goods and services	Revenue from service contracts include infrastructure management, application management and business services activities. Contract terms typically range from 3 to 5 years.
When revenue is recognised	Revenue is recognised over a period of time when services have been rendered and all criteria for acceptance have been satisfied and when it is highly probable that it will not result in a significant reversal of revenue in the future.
Significant payment terms	Revenue from sale of services are invoiced on a 30 to 60 days credit term.

Revenue from sale of goods

Nature of goods and services	Revenue from sale of goods includes the sale of laptops, desktops and other IT products.
When revenue is recognised	Revenue is recognised at a point in time when goods have been delivered to customers and when it is highly probable that it will not result in a significant reversal of revenue in the future.
Significant payment terms	Revenue from sale of goods is invoiced on a 30 to 60 days credit term.

13 Profit/(Loss) for the year

	2019	2018
	S\$	S\$
Short-term employee benefits	31,301,943	29,041,847
Contribution to defined contribution plans	1,381,788	1,331,579
Purchases of inventories	11,403,006	11,501,396
Depreciation of plant and equipment	1,886,563	906,222
Operating lease expense	1,664,136	636,851
Agency facility management fees to Infocomm Development Authority of Singapore ("IDA")	47,684,509	39,846,830
Impairment loss on loan receivable from a subsidiary	–	3,922,097
Impairment loss on investment in subsidiary	–	23,815,988

14 Tax expense

	Note	2019 S\$	2018 S\$
Current tax expense			
Current year		1,059,948	414,575
Deferred tax expense			
Deferred income tax	10	(14,165)	438,689
		<u>1,045,783</u>	<u>853,264</u>
Reconciliation of effective tax rate			
Profit/(Loss) before tax		<u>6,356,427</u>	<u>(22,551,265)</u>
Tax calculated using the Singapore tax rate of 17% (2018: 17%)		1,080,593	(3,833,715)
Effects of:			
- Statutory exempt income		(25,925)	(25,925)
- Tax rebate		(10,000)	(10,000)
- Non-deductible expenses		-	5,308,221
- Tax incentives		-	(587,925)
- Others		1,115	2,608
		<u>1,045,783</u>	<u>853,264</u>

15 Financial instruments

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for developing and monitoring the Company's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

The Company's holding of cash and bank deposits exposes the Company to credit risk of the counterparty. The Company controls its credit risk to non-performance by its counterparty through regular review and monitoring of its credit ratings.

The trade receivables from related corporations, subsidiary and third parties also expose the Company to credit risk. The Company manages the credit risk by assessing the credit quality of the counterparty, taking into account its financial position, past experience and other factors.

(i) Financial assets that are neither past due nor impaired

Bank balances are neither past due nor impaired and are mainly deposits with banks which have good credit-ratings as determined by international credit-rating agencies.

(ii) Financial assets that are past due and/or impaired

There is no class of financial assets that is past due and/or impaired, except for trade receivables from third parties, related corporations and a subsidiary and loan receivable from a subsidiary.

Trade receivables

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

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at year end:

	Weighted average loss rate %	Gross carrying amount S\$	Impairment loss S\$	Net carrying amount S\$	Credit impaired
2019					
Current (not past due)		17,455,229	–	17,455,229	No
1 – 30 days past due		2,578,563	–	2,578,563	No
31 – 60 days past due		234,406	–	234,406	No
61 – 90 days past due		48,226	–	48,226	No
More than 90 days past due	11.3	1,545,819	(175,127)	1,370,692	Yes
		<u>21,862,243</u>	<u>(175,127)</u>	<u>21,687,116</u>	

Loss rates are based on actual credit loss experience over the past three years. These rates are adjusted as appropriate to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Comparative information under FRS 39

	Gross 2018 S\$	Impairment losses 2018 S\$	Net carrying amount 2018 S\$
Current (not past due)	11,908,740	–	11,908,740
1 – 30 days past due	1,491,948	–	1,491,948
31 – 60 days past due	661,572	–	661,572
61 – 90 days past due	1,131,580	–	1,131,580
More than 90 days past due	1,652,019	(175,127)	1,476,892
	<u>16,845,859</u>	<u>(175,127)</u>	<u>16,670,732</u>

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining sufficient cash to enable it to meet its operational requirements.

The table below analyses the maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year	
	2019 S\$	2018 S\$
Trade and other payables	<u>18,556,910</u>	<u>16,850,111</u>

(c) Capital risk

The Company's objectives when managing capital are to ensure that the Company is adequately capitalised and to maintain an optimal capital structure by issuing or redeeming additional equity and debt instruments when necessary.

The Board of Directors monitors its capital based on net debt and total capital. Net debt is calculated as trade and other payables less cash and bank deposits. Total capital is calculated as equity plus net debt.

	2019 S\$	2018 S\$
Net debt	6,645,438	8,370,458
Total equity	19,235,774	13,925,130
Total capital	<u>25,881,212</u>	<u>22,295,588</u>

(d) Financial instruments by category

Classification

		-----At amortised cost-----		
		Amortised cost	Other financial liabilities	Total
		S\$	S\$	S\$
31 March 2019				
Financial assets				
	6	11,911,472	-	11,911,472
	7	21,687,116	-	21,687,116
	8	182,951	-	182,951
		<u>33,781,539</u>	<u>-</u>	<u>33,781,539</u>
Financial liabilities				
	11	-	(18,556,910)	(18,556,910)

		-----At amortised cost-----		
		Loans and receivables	Other financial liabilities	Total
		S\$	S\$	S\$
31 March 2018				
Financial assets				
	6	8,479,653	-	8,479,653
	7	16,670,732	-	16,670,732
	8	205,187	-	205,187
		<u>25,355,572</u>	<u>-</u>	<u>25,355,572</u>
Financial liabilities				
	11	-	(16,850,111)	(16,850,111)

* *Excludes prepayments*

(e) Market risk

(i) Currency risk

The Company's business is exposed to currency risk arising primarily with respect to receivables and payables denominated in United States Dollar ("USD").

The Company's currency exposure based on the information provided to key management is as follows:

	USD
	S\$
31 March 2019	
Financial assets	
Trade and other receivables	3,912,362
Financial liabilities	
Trade and other payables	(4,963,822)
Net financial liabilities	<u>(1,051,460)</u>
31 March 2018	
Financial assets	
Trade and other receivables	8,888,450
Financial liabilities	
Trade and other payables	(3,899,609)
Net financial assets	<u>4,988,841</u>

Sensitivity analysis

A 5 percent strengthening of S\$ against the USD at the reporting date would have increased profit or loss and equity by S\$52,573 (2018: decreased profit or loss and equity by S\$249,442). This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables remain constant.

A 5 percent weakening of the S\$ against the USD would have had the equal but opposite effect on profit or loss and equity to the amounts shown above, on the basis that all other variables remain constant.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on loans to related corporations (note 7).

Cash flow sensitivity analysis for variable rate instruments

A change of 10 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss	
	10 bp increase S\$	10 bp decrease S\$
2019		
Loans to related corporations	3,922	(3,922)
2018		
Loans to related corporations	3,922	(3,922)

16 Other income

	2019 S\$	2018 S\$
Government grants:		
- Wage Credit Scheme/Special employment credit/ temporary employment credit/Productivity and Innovation Credit Scheme	90,712	148,235
Miscellaneous income	104,237	-
	194,949	148,235

The Wage Credit Scheme (“WCS”) is part of a 3-Year Transition Support Package for businesses introduced in 2013. The WCS helps business cope with rising wage costs so that they can free up resources for productivity investments. It also encourages businesses to share productivity gains with their employees.

The Special Employment Credit (“SEC”) was introduced as a Budget Initiative in 2011 to support employers, and to raise the employability of older low-wage Singaporeans. It was enhanced in 2012 to provide employers with continuing support to hire older Singaporean workers and Persons with Disabilities (“PWDs”).

The Temporary Employment Credit (“TEC”) was introduced as a Budget Initiative in 2014 to help employers cope with the higher wage costs arising from Central Provident Fund.

The Productivity and Innovation Credit Bonus (“PIG”) is a taxable bonus introduced in the Singapore Budget 2013 to help businesses defray rising costs such as wages and rentals and encourages businesses to undertake improvements in production and innovation. The PIG bonus is determined by the amount of expenditure businesses incur on PIG-qualifying activities.

The amount a company receives depends on the fulfilment of the conditions stated in the Schemes.

17 Operating lease commitments

The Company leases its office premises under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	2019 S\$	2018 S\$
Not later than one financial year	622,422	624,688
Later than one financial year but not later than five financial years	640,687	941,078
	<u>1,263,109</u>	<u>1,565,766</u>

18 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

	2019 S\$	2018 S\$
Purchases from holding corporation	966,726	598,607
Sales to related corporations	170,680	269,366
Interest income from a subsidiary	—	105,918
	<u> </u>	<u> </u>

Key management personnel compensation

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The following persons are considered as key management personnel:

- (i) directors of the Company; and
- (ii) key management team of the Company.

Remuneration fees of key management personnel are borne by related parties and not recharged to the Company. The remuneration is not in relation to services rendered to the Company.

19 Subsequent events

Pursuant to a resolution dated 19 June 2019, an executive decision was made to carve out the Trading Business of the Company and the entire investment held by the Company in its subsidiary, Nurture Technologies FZE for transfer to HCL Investments Pte. Ltd.

Pursuant to a resolution dated 9 July 2019, the directors resolved to sell 100% of the Company's shareholding in Nurture Technologies FZE amounting to United Arab Emirates Dirham (AED) 52 million to HCL Investments Pte. Ltd.

The Board of Directors of the ultimate holding company in its meeting held on 6 August 2019 approved to sell the entire shareholding held by the immediate holding company in the Company after the transfer of the Trading Business and the subsidiary Nurture Technologies FZE. The Share Purchase Agreement (SPA) was signed on 6 August 2019.

