

<b>Table Of Contents</b>	<b>Page</b>
Directors' Statement	2 - 3
Independent Auditor's Report	4 - 6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 - 41

**NEWGEN SOFTWARE TECHNOLOGIES PTE. LTD.**  
Directors' Statement for the financial year ended 31 March 2019

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The directors are pleased to present the statement to the member together with the audited financial statements of NEWGEN SOFTWARE TECHNOLOGIES PTE. LTD. (the "Company") for the financial year ended 31 March 2019.

**Opinion of the directors**

In the opinion of the directors,

- (a) the financial statements of the Company 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 financial year then ended; 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.

**Directors**

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

Diwakar Nigam  
Julia Kwok Yung Chu  
Rajive Chandra  
Varadarajan Tirumalai Sundaraja Iyengar

**Arrangement to Enable Directors to Acquire Shares or 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 in, or debentures of the Company or any other body corporate.

**Directors' Interest in Shares or Debentures**

According to the register of director's shareholdings to be kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the directors of the Company who held office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations except as stated below.

Name of Director	Direct interest		Deemed interest	
	<u>At 1.4.2018</u>	<u>At 31.3.2019</u>	<u>At 1.4.2018</u>	<u>At 31.3.2019</u>
<b>The Company</b>				
Diwakar Nigam	-	-	102,600	102,600
Varadarajan Tirumalai Sundaraja Iyengar	-	-	75,950	75,950
<b>Holding company</b>				
Diwakar Nigam	18,422,406	18,422,406	7,968,906	7,968,906
Varadarajan Tirumalai Sundaraja Iyengar	15,009,306	15,009,306	4,528,320	4,528,320

**Share options**

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

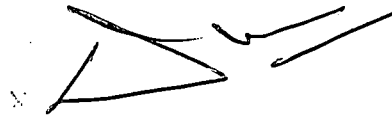
There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

**Auditor**

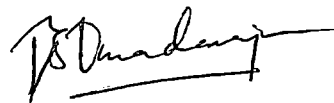
AAA ASSURANCE PAC, has expressed its willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,



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Diwakar Nigam  
**Director**



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Varadarajan Tirumalai Sundaraja Iyengar  
**Director**

Singapore

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF  
NEWGEN SOFTWARE TECHNOLOGIES PTE. LTD.  
UEN No.: 201210314H**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF NEWGEN SOFTWARE  
TECHNOLOGIES PTE. LTD.**

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of NEWGEN SOFTWARE TECHNOLOGIES PTE. LTD. (the "Company"), which comprise the statement of financial position of the Company 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 of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

*Basis for Opinion*

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

*Other Information*

Management is responsible for the other information. The other information comprises the Directors' statement set out on pages 2 to 3.

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.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF  
NEWGEN SOFTWARE TECHNOLOGIES PTE. LTD.  
UEN No.: 201210314H - continued**

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*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 FRSSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

*Auditor's Responsibilities for the Audit of the Financial Statements.*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF  
NEWGEN SOFTWARE TECHNOLOGIES PTE. LTD.  
UEN No.: 201210314H - continued**

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*Auditor's Responsibilities for the Audit of the Financial Statements. - continued*

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

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

*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.

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	<u>Note</u>	<u>2019</u> <u>\$</u>	<u>2018</u> <u>\$</u>
Turnover	4	5,028,925	2,465,068
Cost of sales/services	5	<u>(4,335,748)</u>	<u>(2,124,057)</u>
Gross profit		693,177	341,011
Other income	6	18,687	2,361
Selling and distribution expenses		(206)	-
Administrative expenses	7	(230,078)	(194,201)
Other operating expenses	8	(141,310)	(92,443)
<b>Profit before taxation</b>		<u><b>340,270</b></u>	<u><b>56,728</b></u>
Taxation	9(a)	(42,408)	(3,816)
<b>Profit for the financial year, representing total comprehensive income for the financial year</b>		<u><b>297,862</b></u>	<u><b>52,912</b></u>

The annexed notes form an integral part of the audited financial statements.

	Note	2019 \$	2018 \$
<b>Non-Current Assets</b>			
Plant and equipment	10	4,917	749
<b>Current Assets</b>			
Cash and bank balances		1,243,396	373,296
Trade receivables	11	1,543,966	760,416
Other receivables		10,450	14,049
Deposits		17,000	15,200
Prepayments		50,173	6,612
		<u>2,864,985</u>	<u>1,169,573</u>
<b>Less: Current Liabilities</b>			
Amount due to holding company	12	1,153,200	333,932
Deferred revenue, other payables and accruals	13	962,549	418,745
Provision for taxation	9(c)	42,819	4,173
		<u>2,158,568</u>	<u>756,850</u>
<b>Net Current Assets</b>		706,417	412,723
<b>Total Net Assets</b>		<u>711,334</u>	<u>413,472</u>
<b>Equity</b>			
Share capital	14	250,000	250,000
Retained earnings		461,334	163,472
<b>Total Equity</b>		<u>711,334</u>	<u>413,472</u>

The annexed notes form an integral part of the audited financial statements.



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	Share capital	Retained earnings	Total
	\$	\$	\$
<b>Balance at 01/04/2017</b>	<b>250,000</b>	<b>110,650</b>	<b>360,560</b>
Profit for the year, representing total comprehensive income for the year	-	52,912	52,912
<b>Balance at 31/03/2018</b>	<b>250,000</b>	<b>163,472</b>	<b>413,472</b>
Profit for the year, representing total comprehensive income for the year	-	297,862	297,862
<b>Balance at 31/03/2019</b>	<b>250,000</b>	<b>461,334</b>	<b>711,334</b>

The annexed notes form an integral part of the audited financial statements.

	2019	2018
	\$	\$
<b>Cash flows from operating activities</b>		
Profit before taxation	340,270	56,728
Adjustments:		
Allowance for impairment loss on financial assets – trade receivables	88,244	-
Depreciation of plant and equipment	1,149	1,200
<b>Operating cash flows before working capital changes:</b>	<u>429,663</u>	<u>57,928</u>
<b>Working capital changes:</b>		
Trade receivables	(871,794)	(303,679)
Other receivables	3,599	(14,049)
Deposits	(1,800)	
Prepayments	(43,561)	(842)
Amount due to holding company	819,268	93,008
Deferred revenue, other payables and accruals	543,804	224,096
<b>Cash generated from operating activities</b>	<u>879,179</u>	<u>56,462</u>
Income tax paid	(3,762)	(2,329)
<b>Net cash generated from operating activities</b>	<u>875,417</u>	<u>54,133</u>
<b>Cash flows from investing activity</b>		
Purchase of plant and equipment	(5,317)	-
<b>Net cash used in investing activity</b>	<u>(5,317)</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	870,100	54,133
Cash and cash equivalents at the beginning of the financial year	<u>373,296</u>	<u>319,163</u>
<b>Cash and cash equivalents at the end of the financial year</b>	<u><b>1,243,396</b></u>	<u><b>373,296</b></u>
<b>Comprising of:</b>		
Bank balances	1,242,450	372,296
Cash in hand	946	1,000
	<u><b>1,243,396</b></u>	<u><b>373,296</b></u>

The annexed notes form an integral part of the audited financial statements.

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

**1. General**

NEWGEN SOFTWARE TECHNOLOGIES PTE. LTD. (the “Company”) is incorporated and domiciled in Singapore with its registered office and principal place of business at 6 Shenton Way, #38-01, OUE Downtown 1, Singapore 068809.

The principal activities of the Company are those of sales and maintenance of software solutions and related products of its holding company in Asia Pacific.

There has been no significant change in the nature of these activities during the financial year.

The immediate and ultimate holding company is Newgen Software Technologies Limited, a company incorporated in India.

**2. Summary of Significant Accounting Policies**

**2.1 Basis of preparation**

The financial statements of the Company have been drawn up 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 Dollars (S\$), which is the Company’s functional currency. All financial information presented in Singapore Dollars has been rounded to the nearest dollar, unless otherwise indicated.

**2.2 Adoption of new and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2018. Except for the adoption of FRS 109 *Financial Instruments* and FRS 115 *Revenue from Contracts with Customers* described below, the adoption of these standards did not have any material effect on the financial performance or position of the Company.

2. **Summary of Significant Accounting Policies - continued**

2.2 **Adoption of new and amended standards and interpretations - continued**

The following standards and interpretations are effective for the annual period beginning on or after 1 January 2018:

- FRS 109 *Financial Instruments*
- FRS 115 *Revenue from Contracts with Customers*
- Improvements to FRSs (December 2016)
  - *Amendments to FRS 28 Measuring an Associate or Joint Venture at Fair Value*
- *Amendments to FRS 102 Classification and Measurement of Sharebased Payment Transactions*
- *Amendments to FRS 40 Transfers of Investment Property*
- INT FRS 122 *Foreign Currency Transactions and Advance Considerations*

*FRS 109 Financial Instruments*

FRS 109 replaces FRS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied FRS 109 retrospectively, with an initial application date of 1 April 2018. The Company has not restated comparative information which continues to be reported under FRS 39 and the disclosure requirements of FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39. The impact arising from FRS 109 adoption, if any, was included in the opening retained earnings and other components of equity at the date of initial application.

There was no effect of adopting FRS 109 as at 1 April 2018.

The nature of the changes relevant to the Company are described below:

**(a) Classification and measurement**

Under FRS 109, debt instruments are subsequently measured either at fair value through profit or loss (FVPL), amortised cost or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 April 2018. The assessment of whether contractual cash flows on debt instruments solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of FRS 109 did not have a significant impact to the Company. The Company continued measuring at fair value all financial assets previously held at fair value under FRS 39. The following are the changes in the classification and measurement of the Company's financial assets:

2. **Summary of Significant Accounting Policies - continued**

2.2 **Adoption of new and amended standards and interpretations - continued**

FRS 109 *Financial Instruments* - continued

(a) **Classification and measurement - continued**

- Trade and other receivables classified as loans and receivables as at 31 March 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These were classified and measured as debt instruments at amortised cost beginning 1 April 2018.

The Company has not designated any financial liabilities at FVPL. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of FRS 109, the Company had the following required or elected reclassifications as at 1 April 2018:

	FRS 109 measurement category		
	FVPL	FVOCI	AMORTISED COST
<b>FRS 39 measurement category</b>	\$	\$	\$
<u>Loans and receivables</u>			
Trade receivables	-	-	1,543,966
Other receivables	-	-	27,450
	-	-	<u>1,571,416</u>

(b) **Impairment**

The adoption of FRS 109 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing FRS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. FRS 109 requires the Company to recognise an allowance for ECLs for all debt instruments not held at FVPL.

Upon adoption of FRS 109, the Company did not have to recognise additional impairment of on the Company's trade and other receivables as at 1 April 2018.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 supersedes FRS 11 *Construction Contracts*, FRS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. FRS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

**2. Summary of Significant Accounting Policies - continued**

**2.2 Adoption of new and amended standards and interpretations - continued**

*FRS 115 Revenue from Contracts with Customers* - continued

FRS 115 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted FRS 115 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 April 2018.

The cumulative effect of initially applying FRS 115 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under FRS 11, FRS 18 and related interpretations.

There were no effects upon adopting FRS 115 as at 1 April 2018.

Each financial statement line item was not affected by FRS115 adjustments for the year ended 31 March 2019 as a result of the adoption of FRS 115. The adoption of FRS 115 did not have a material impact on other comprehensive income or the Company's operating, investing and financing cash flows.

**2.3 Standards issued but not yet effective**

The Company has not adopted the following standards applicable to the Company that have been issued but not yet effective:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
FRS 116 <i>Leases</i>	1 January 2019
INT FRS 123 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to FRS 109 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to FRS 28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to FRSs (March 2018)	1 January 2019
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

**2. Summary of Significant Accounting Policies - continued**

**2.3 Standards issued but not yet effective - continued**

Except for FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of FRS 116 are described below.

*FRS 116 Leases*

FRS 116 requires lessees to recognise most leases on the statement of financial position. The standard includes two recognition exemptions for lessees – leases of ‘low value’ assets and short-term leases. FRS 116 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Company plans to adopt FRS 116 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of FRS 116, the Company expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if FRS 116 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate as of 1 January 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Company plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply FRS 116 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Company has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Company adopts FRS 116 in 2019.

On the adoption of FRS 116, the Company expects to recognise right-of-use assets and lease liabilities for its leases previously classified as operating leases, with a corresponding adjustment in the opening retained earnings and its related tax impact as of 1 January 2019.

**2. Summary of Significant Accounting Policies - continued**

**2.4 Revenue recognition**

These accounting policies are applied on and after the initial application date of FRS 115, 1 January 2018:

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

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

**(a) Sale of goods**

The Company sells software related products.

For sale of products, revenue is recognised upon receipt of the product by customer. A receivable is recognised by the company when products is received by customer, as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

**(b) Rendering of service**

Rendering of service is recognised when each milestone mentioned in the agreement has been reached.

**(c) Revenue from software maintenance and licence**

Revenue from software maintenance and licence are recognised on a straight line basis over the contract period.

These accounting policies are applied before the initial application date of FRS 115, 1 January 2018:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

**(a) Revenue from sale of goods**

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**(b) Revenue from rendering of services**

Revenue from rendering of services is recognised when the services have been performed and rendered.



**2. Summary of Significant Accounting Policies - continued**

**2.4 Revenue recognition – continued**

**(c) Revenue from software maintenance**

Revenue from software maintenance is recognised on a straight-line basis over the contractual period.

**2.5 Employee benefits**

*Defined contribution plan*

The Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

*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 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.

**2.6 Income taxes**

**(a) 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 authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date.

Current income taxes are recognised in profit or loss except to the extent that the 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.

**(b) Deferred tax**

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

Deferred tax assets are recognised for all deductible temporary differences, the 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.

Deferred tax asset is not recognised for temporary differences on 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.

**2. Summary of Significant Accounting Policies - continued**

**2.6 Income taxes - continued**

(b) Deferred tax - continued

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 at 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 each reporting period.

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

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST 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 GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**2.7 Financial instruments**

These accounting policies are applied on and after the initial application date of FRS 109, 1 January 2018:

**(a) Financial assets**

**Initial recognition and measurement**

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

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at 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 Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

**2. Summary of Significant Accounting Policies - continued**

**2.7 Financial instruments - continued**

**(a) Financial assets - continued**

**Subsequent measurement**

*Investments in debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, FVOCI and FVPL. The Company only has debt instruments at 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 the amortisation process.

*Investments in equity instruments*

On initial recognition of an investment in equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income which will not be reclassified subsequently to profit or loss. Dividends from such investments are to be recognised in profit or loss when the Company's right to receive payments is established. For investments in equity instruments which the Company has not elected to present subsequent changes in fair value in other comprehensive income, changes in fair value are recognised in profit or loss.

**Derecognition**

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

**2. Summary of Significant Accounting Policies - continued**

**2.7 Financial instruments – continued**

**(b) Financial liabilities**

**Initial recognition and measurement**

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

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

**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 derecognised 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.

These accounting policies are applied before the initial application date of FRS 109, 1 January 2018:

**(a) Financial assets**

**Initial recognition and measurement**

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at FVPL, directly attributable transaction costs.

**2. Summary of Significant Accounting Policies - continued**

**2.7 Financial instruments – continued**

**(a) Financial assets - continued**

**Subsequent measurement**

*Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables comprise trade and other receivables and cash and cash equivalents.

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

**Derecognition**

A financial asset is derecognised when 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, where applicable, any cumulative gain or loss that has been recognised in other comprehensive income) is recognised in profit or loss.

## 2. Summary of Significant Accounting Policies - continued

### 2.7 Financial instruments – continued

#### (b) Financial liabilities

##### Initial recognition and measurement

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

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

##### 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.

Such financial liabilities comprise other payables and accruals and amount due to holding company.

##### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 2.8 Impairment of financial assets

These accounting policies are applied on and after the initial application date of FRS 109, 1 January 2018:

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

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 recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

2. **Summary of Significant Accounting Policies - continued**

**2.8 Impairment of financial assets - continued**

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

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

These accounting policies are applied before the initial application date of FRS 109, 1 January 2018:

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

**Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying amount of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**2. Summary of Significant Accounting Policies - continued**

**2.9 Operating leases as lessee**

Finance leases which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

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

**2.10 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 plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for the dismantlement, removal or restoration costs is incurred as a consequence of acquiring or using the plant and equipment.



**2. Summary of Significant Accounting Policies - continued**

**2.10 Plant and equipment - continued**

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	<u>Years</u>
Computers	3

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 useful lives, residual values 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 on derecognition of the asset is included in profit or loss in the year the asset is derecognized.

**2.11 Impairment of non-financial assets**

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

## 2. Summary of Significant Accounting Policies - continued

### 2.12 Provisions

#### General

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.13 Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### 2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and are subject to an insignificant risk of changes in value.

### 2.15 Foreign currency transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Company 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 at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting period are recognised in profit or loss.

### 2.16 Related party

A related party is defined as follows:

- a) A person or a close member of that person's family is related to the Company if that person:
  - (i) Has control or joint control over the Company;
  - (ii) Has significant influence over the Company; or
  - (iii) Is a member of the key management personnel of the Company or of parent of the Company.

**2. Summary of Significant Accounting Policies - continued**

**2.16 Related party - continued**

- b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same Company (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 Company 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).

*Key Management Personnel*

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors are considered key management personnel

**3. Significant accounting judgments and estimates**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. 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.

**Judgements made in Applying Accounting Policies**

**Determination of functional currency**

In determining the functional currency of the Company, judgment is used by the Company to determine the currency of the primary economic environment in which the Company operates. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

**Key sources of estimating uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**3. Significant accounting judgments and estimates – continued**

**Key sources of estimating uncertainty - continued**

*Useful Life of plant and equipment*

The useful life of an item of plant and equipment is estimated at the time the asset is acquired and is based on historical experience with similar assets and takes into account anticipated technological or other changes. If changes occur more rapidly than anticipated or the asset experiences unexpected level of wear and tear, the useful life will be adjusted accordingly. The carrying amount of the Company's plant and equipment as at 31 March 2019 was \$4,917 (2018: \$749).

*Provision for expected credit losses of trade receivables*

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 19.

The carrying amount of the Company's trade receivables as at 31 March 2019 was \$1,543,966 (1 April 2018: \$760,416, 2018: \$760,416).

**4. Revenue**

Disaggregation of revenue

	2019	2018
	\$	\$
<u>Type of good</u>		
Maintenance revenue	325,862	292,902
Software related revenue	4,703,063	2,172,166
	<u>5,028,925</u>	<u>2,465,068</u>
<u>Timing of transfer of good</u>		
Over time	<u>5,028,925</u>	<u>2,465,068</u>

<b>5. Cost of sales/services</b>		
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Offshore development and support	3,502,450	1,733,933
Payroll expenses	685,545	357,384
Sales commission	147,753	32,740
	<u>4,335,748</u>	<u>2,124,057</u>
<b>6. Other income</b>		
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Bad debts recovery	-	1,779
Foreign exchange gain	17,799	-
Miscellaneous income	888	582
	<u>18,687</u>	<u>2,361</u>
<b>7. Administrative expenses</b>		
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Exhibitions and seminars	26,910	2,084
Medical insurance - group	13,944	8,310
Professional fees	67,933	87,804
Telephone expenses	13,081	9,511
Travel expenses	89,809	75,211
Others	18,401	11,281
	<u>230,078</u>	<u>194,201</u>
<b>8. Other expenses</b>		
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Foreign exchange loss	-	48,853
Impairment loss on financial assets – trade receivables	88,244	10,375
Rental expenses	41,100	31,200
Others	11,966	2,015
	<u>141,310</u>	<u>92,443</u>

9. **Taxation**

	<b>2019</b>	<b>2018</b>
	<u>\$</u>	<u>\$</u>
(a) Current taxation		
Current taxation – on the results for the financial year	<u>42,408</u>	<u>3,816</u>

(b) Reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the financial years ended 31 March 2019 and 2018 were as follows:

	<b>2019</b>	<b>2018</b>
	<u>\$</u>	<u>\$</u>
Profit before taxation	<u>340,270</u>	<u>56,728</u>
Tax calculated at tax rate of 17% (2018: 17%)	57,846	9,644
Tax effect of non-taxable income	(99)	-
Tax effect on non-deductible expenses	2,086	749
Tax effect on exemption and rebates	<u>(17,425)</u>	<u>(6,577)</u>
<b>Tax expense</b>	<u>42,408</u>	<u>3,816</u>

	<b>2019</b>	<b>2018</b>
	<u>\$</u>	<u>\$</u>
(c) Movement in provision for taxation		
Balance at the beginning of the financial year	4,173	2,686
Current taxation	42,408	3,816
Tax paid	<u>(3,762)</u>	<u>(2,329)</u>
Balance at the end of the financial year	<u>42,819</u>	<u>4,173</u>

The Singapore Government has announced that for Years of Assessment (YA) 2019 and 2018, all companies will receive a 20% and 40% Corporate Income Tax (CIT) Rebate that is subject to a cap of \$10,000 and \$15,000 respectively.

**10. Plant and equipment**

	Office equipment \$	Total \$
<b>Cost</b>		
As at 01/04/2017	4,682	4,682
Additions	-	-
As at 31/03/2018	4,682	4,682
Additions	5,317	5,317
As at 31/03/2019	9,999	9,999
<b>Accumulated depreciation</b>		
As at 01/04/2017	2,733	2,733
Charge for the financial year	1,200	1,200
As at 31/03/2018	3,933	3,933
Charge for the financial year	1,149	1,149
As at 31/03/2019	5,082	5,082
<b>Net carrying value</b>		
As at 31/03/2019	4,917	4,917
As at 31/03/2018	749	749

**11. Trade receivables**

As at the reporting date, the Company's trade receivables were denominated in the following currencies:

	2019 \$	2018 \$
Singapore dollars	833,896	254,760
United States dollars	710,070	505,656
	1,543,966	760,416

**11. Trade receivables - continued**

	2019	2018
	\$	\$
Trade receivables	1,642,585	770,791
Less: Allowance for impairment	(98,619)	(10,375)
	<u>1,543,966</u>	<u>760,416</u>

The credit period on sales is 0 - 30 days (2018: 0 - 30 days). No interest is charged on overdue trade receivables

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL was as follows:

Movement in allowance accounts:		
At 31 December 2017 under FRS 39	10,375	-
Effect of adopting FRS 109 (Note 2.2)	<u>10,375</u>	
At 1 January 2018 under FRS 109	-	
Allowance made	<u>88,244</u>	
At 31 March 2019	<u>98,619</u>	

**12. Amount due to holding company**

The amount due to holding company is-trade in nature, unsecured, interest free and repayable on demand.

**13. Deferred revenue, other payables and accruals**

	2019	2018
	\$	\$
Deferred revenue	756,828	336,741
Other payables	6,000	2,800
Accruals	82,997	24,689
GST payables	<u>116,724</u>	<u>54,515</u>
	<u>962,549</u>	<u>418,745</u>



**14. Share capital**

	<u>2019</u> <u>No. of Shares</u>	<u>2018</u>	<u>2019</u> <u>\$</u>	<u>2018</u> <u>\$</u>
<u>Issued and fully paid ordinary shares</u>				
Balance in the beginning and end of the financial year	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>

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

**15. Operating lease commitments**

The Company leases premises under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases (premises) contracted for at the reporting date but not recognised as liabilities, are as follows:

	<u>2019</u> <u>\$</u>	<u>2018</u> <u>\$</u>
Payable within one year	67,300	10,400
Payable within two to five years	5,800	-
	<u>73,100</u>	<u>10,400</u>

**16. Significant related party transactions**

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

During the financial year, the Company made the following transactions with its related companies on terms agreed between them:

	<u>2019</u> <u>\$</u>	<u>2018</u> <u>\$</u>
Cost of sales/services – offshore development and support	<u>3,502,450</u>	<u>1,733,933</u>

**17. Financial risk management**

The Company's activities expose it to a variety of financial risks from its operation. The key financial risks include credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk).

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

***Credit risk***

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company has adopted a policy of only dealing with creditworthy counterparties. The Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

17. **Financial risk management - continued**

***Credit risk - continued***

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days or there is significant difficulty of the counterparty.

To minimise credit risk, the Company has developed and maintained the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the company and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Company determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Company categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

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

Category	Definition of category	Basis for recognising expected credit loss (ECL)
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL – credit-impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

17. Financial risk management - continued

*Credit risk - continued*

The table below details the credit quality of the Company's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

	Note	Category	12-month or lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
31 March 2019						
Trade receivables	11	Note 1	Lifetime ECL (simplified)	1,642,585	(98,619)	1,543,966
Other receivables and deposits		Note 2	12-month ECL	<u>27,450</u>	-	<u>27,450</u>
				<u>1,670,035</u>		<u>1,571,416</u>
1 April 2018						
Trade receivables	11	Note 1	Lifetime ECL (simplified)	760,416	-	760,416
Other receivables and deposits		Note 2	12-month ECL	<u>29,249</u>	-	<u>29,249</u>
				<u>789,665</u>		<u>789,665</u>

**Trade receivables (Note 1)**

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

	Trade receivables					Total
	Days past due					
	Not past due \$	≤ 30 days \$	31-60 \$	61-90 \$	> 90 days \$	
31 March 2019						
ECL rate*	0%	0%	0%	0%	41.9%	
Estimated total gross carrying amount at default	1,200,408	53,093	153,790	-	235,294	1,642,585
ECL*	-	-	-	-	(98,619)	<u>(98,619)</u>
						<u>1,543,966</u>
31 March 2018						
Total gross carrying amount	418,237	89,957	22,211	182,049	58,337	770,791
Allowance for impairment	-	-	-	-	(10,375)	<u>(10,375)</u>
						<u>760,416</u>

\*Based on management's assessment using the simplified approach.

**17. Financial risk management - continued**

*Credit risk - continued*

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

The Company has no significant concentration of credit risk other than those balances comprising 93% (2018: 80%) of trade receivables. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

Other receivables and deposits

The Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

*Liquidity risk*

Liquidity risk refers to the risk that the Company will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Company's operations are financed mainly through equity. The directors are satisfied that funds are available to finance the operations of the Company.

17. Financial risk management - continued

*Liquidity risk – continued*

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>One year or less</b>
	\$	\$	\$
<b>2019</b>			
<b>Financial assets</b>			
Cash and bank balances	1,243,396	1,243,396	1,243,396
Trade receivables	1,543,966	1,543,966	1,543,966
Other receivables	10,450	10,450	10,450
Deposits	17,000	17,000	17,000
<b>Total undiscounted financial assets</b>	<b>2,814,812</b>	<b>2,814,812</b>	<b>2,814,812</b>
<b>Financial liabilities</b>			
Amount due to holding company	1,153,200	1,153,200	1,153,200
Other payables and accruals	205,721	205,721	205,721
<b>Total undiscounted financial liabilities</b>	<b>(1,358,921)</b>	<b>(1,358,921)</b>	<b>(1,358,921)</b>
<b>Total net undiscounted financial assets</b>	<b>1,455,891</b>	<b>1,455,891</b>	<b>1,455,891</b>
<b>2018</b>			
<b>Financial assets</b>			
Cash and bank balances	373,296	373,296	373,296
Trade receivables	760,416	760,416	760,416
Other receivables	14,049	14,049	14,049
Deposits	15,200	15,200	15,200
<b>Total undiscounted financial assets</b>	<b>1,162,961</b>	<b>1,162,961</b>	<b>1,162,961</b>
<b>Financial liabilities</b>			
Amount due to holding company	333,932	333,932	333,932
Other payables and accruals	82,004	82,004	82,004
<b>Total undiscounted financial liabilities</b>	<b>(415,936)</b>	<b>(415,936)</b>	<b>(415,936)</b>
<b>Total net undiscounted financial assets</b>	<b>747,025</b>	<b>747,025</b>	<b>747,025</b>

*Market risk*

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

17. **Financial risk management – continued**

**Market risk – continued**

(i) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from cash and cash equivalents.

The Company does not expect any significant effect on the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

(ii) **Foreign currency risk**

The Company's foreign exchange risk results mainly from cash flows from transactions denominated in foreign currencies. At present, the Company does not have any formal policy for hedging against currency risk. The Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances.

The Company has translational currency exposures arising from trade that are denominated in a currency other than the functional currency of the Company, primarily United States Dollar (USD).

The Company's currency exposures to the above currency at the reporting date were as follows:

<b>2019</b>	<b>\$</b>
<b>Financial asset</b>	
Trade receivables	710,069
Currency exposure	710,069
<b>2018</b>	<b>\$</b>
<b>Financial asset</b>	
Trade receivables	505,656
Currency exposure	505,656

A 10% strengthening of Singapore dollar against the foreign currencies denominated balances as at the reporting date would decrease profit or loss after tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	<b>Profit or loss after tax</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
USD	58,936	41,970

A 10% weakening of Singapore dollar against the above currencies would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**18. Assets and liabilities not measured at fair value**

*Cash and bank balances, other receivables, deposits, amount due to holding company*

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

*Trade receivables*

The carrying amounts of these receivables approximate their fair values as they are subject to normal trade credit terms.

**19. Financial instruments by category**

At the reporting date, the aggregate carrying amounts of financial assets at amortised cost and financial liabilities at amortised cost were as follows:

	2019 \$	2018 \$
<b>Financial assets measured at amortised cost</b>		
Cash and bank balances	1,243,396	373,296
Trade receivables	1,543,966	760,416
Other receivables	10,450	14,049
Deposits	17,000	15,200
Total financial assets measured at amortised cost	<u>2,814,812</u>	<u>1,162,961</u>
<b>Financial liabilities measured at amortised cost</b>		
Amount due to holding company	1,153,200	333,932
Other payables and accruals	205,721	82,004
Total financial liabilities measured at amortised cost	<u>1,358,921</u>	<u>415,936</u>

**20. Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for its shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including, other payables and accruals and amount due to holding company as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity, as shown in the statement of financial position, plus net debts.

No specific gearing ratio has been determined by the management with the overall objective to keep the ratio as low as possible and such policy has not been changed since the previous financial year.

The gearing ratios at 31 March 2019 and 2018 are as follows:

	2019 \$	2018 \$
Total debt	1,358,921	415,936
Less: Cash and bank balances	<u>(1,243,396)</u>	<u>(373,296)</u>
Net debt	115,525	42,640
Total equity	711,334	413,472
Total capital	<u>826,859</u>	<u>456,112</u>
<b>Gearing ratio</b>	<u>13.97%</u>	<u>9.35%</u>



**21. Authorisation of financial statements for issue**

The financial statements for the financial year ended 31 March 2019 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on the date of the director's statement.

**NEWGEN SOFTWARE TECHNOLOGIES PTE. LTD.** Detailed Profit or Loss Account for the financial year ended 31 March 2019

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Turnover</b>		
Maintenance revenue	325,862	292,902
Software related revenue	4,703,063	2,172,166
	5,028,925	2,465,068
<b>Cost of sales/services</b>		
Offshore development and support	3,502,450	1,733,933
Payroll expenses	685,545	357,384
Sales commission	147,753	32,740
	(4,335,748)	(2,124,057)
<b>Other income</b>		
Bad debts recovery	-	1,779-
Foreign exchange gain	17,799	-
Miscellaneous income	888	582
	18,687	2,361
<b>Selling and distribution expenses</b>		
Advertising and promotion expenses	(206)	-
<b>Administrative expenses</b>		
Administrative charges	-	252
Bank service charges	8,996	3,810
Business expenses	-	527
Exhibitions and seminars	26,910	2,084
Medical insurance - group	13,944	8,310
Office supplies/parking	2,925	3,942
Professional fees	67,933	87,804
Recruitment expenses	6,480	-
Relocation expense	-	2,750
Telephone expenses	13,081	9,511
Travel expenses	89,809	75,211
	(230,078)	(194,201)
<b>Other expenses</b>		
Depreciation of plant and equipment	1,149	1,200
Foreign exchange loss	-	48,853
General expenses	-	815
Allowance for impairment loss on financial assets – trade receivables	88,244	10,375
Rental expenses	41,100	31,200
Withholding tax written off	10,817	-
	(141,310)	(92,443)
<b>Profit before taxation</b>	<b>340,270</b>	<b>56,728</b>

(The above statement does not form part of the audited financial statements.)

# **NEWGEN SOFTWARE TECHNOLOGIES PTE. LTD.**

(Incorporated in Singapore)

UEN No.: 201210314H

Audited Financial Statements for the financial year ended  
31 March 2019

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## **AAA ASSURANCE PAC**

**Public Accountants and Chartered Accountants**

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