

RAMCO SYSTEMS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Registration Number: 199507354G)

**FINANCIAL STATEMENTS
YEAR ENDED
31 MARCH 2021**



ROHAN • MAH & PARTNERS LLP
Chartered Accountants, Singapore

RAMCO SYSTEMS PTE. LTD.

(Incorporated in the Republic of Singapore)

Directors

Harsha Vardhan Gangiseti
Pusapadi Ramasubramania Raja Venketrama Raja
Ravikula Chandran Ramamurthy

Secretaries

Kong Yuh Ling Doreen
Nur Iman Binte Rohan

Registered Office

8 Shenton Way
#21-07
AXA Tower
Singapore 068811

Auditor

Rohan • Mah & Partners LLP

Bankers

DBS Bank Ltd
The Hong Kong and Shanghai Banking Corporation Limited

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DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited financial statements of Ramco Systems Pte. Ltd. (the "Company") for the financial year ended 31 March 2021.

1 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 2021 and the financial performance, changes in equity and cash flows of the Company for the year then ended; and
- (b) at the date of this statement, as the holding company has given written confirmation of its continuing financial support for the Company, there are reasonable grounds to believe that the Company will be able to pay its debt as and when they fall due.

2 DIRECTORS

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

Harsha Vardhan Gangiseti
Pusapadi Ramasubramania Raja Venketrama Raja
Ravikula Chandran Ramamurthy

3 ARRANGEMENTS 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.

4 DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings 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:

	Direct interest		Deemed interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
Ordinary shares of the ultimate holding corporation				
- Ramco Systems Limited				
Harsha Vardhan Gangiseti	19,194	15,194	-	-
Pusapadi Ramasubramania Raja Venketrama Raja	3,353,366	3,353,366	17,902	17,902
Ravikula Chandran Ramamurthy	42,455	42,455	-	-

DIRECTORS' STATEMENT

5 SHARE OPTIONS

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

There were no shares have been 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.

6 AUDITOR

The auditor, Messrs. Rohan • Mah & Partners LLP, has expressed its willingness to accept re-appointment.

ON BEHALF OF THE BOARD OF DIRECTORS



.....
Pusapadi Ramasubramania Raja Venketrama Raja
Director



.....
Ravikula Chandran Ramamurthy
Director

Singapore,

25 MAY 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

RAMCO SYSTEMS PTE. LTD.

(Incorporated in the Republic of Singapore)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ramco Systems Pte. Ltd. (the "Company"), which comprise the statement of financial position as at 31 March 2021, and 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.

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 2021 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2.16 in the financial statements with respect to the Company's ability to continue as a going concern. As of reporting date, the Company incurred a net loss of S\$3,822,380 during the year ended 31 March 2021 and, as of that date, current liabilities exceeded its current assets by S\$10,460,125 and accumulated losses exceeded its paid-up capital as at 31 March 2021. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matters.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

RAMCO SYSTEMS PTE. LTD.

(Incorporated in the Republic of Singapore)

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement set out on pages 1 to 2.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

RAMCO SYSTEMS PTE. LTD.

(Incorporated in the Republic of Singapore)

Auditor's Responsibilities for the Audit of the Financial Statements - cont'd

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

RAMCO SYSTEMS PTE. LTD.

(Incorporated in the Republic of Singapore)

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.

Rohan. Mah & Partners LLP

ROHAN • MAH & PARTNERS LLP

**Public Accountants and
Chartered Accountants**

Singapore
25 May 2021
(RK/MA/SR/KN/DR/ccy)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Note	2021 S\$	2020 S\$
Non-Current Assets			
Property, plant and equipment	3	31,380	103,511
Right-of-use asset	3	768,539	1,088,837
Other financial assets	6	8,392,196	11,221,326
Other assets	5	124,597	36,630
Deferred tax asset	12	-	535,000
		<u>9,316,712</u>	<u>12,985,304</u>
Current Assets			
Cash and cash equivalents	7	565,135	5,779,036
Trade receivables	4	5,577,631	6,900,143
Other financial assets	6	6,628,662	4,644,468
Other assets	5	100,870	164,338
		<u>12,872,298</u>	<u>17,487,985</u>
Total Assets		<u><u>22,189,010</u></u>	<u><u>30,473,289</u></u>
Equity and Liabilities			
Equity			
Equity share capital	13	31,135,000	31,135,000
Translation reserve		12,884	11,575
Accumulated losses		<u>(33,912,031)</u>	<u>(30,089,651)</u>
		<u>(2,764,147)</u>	<u>1,056,924</u>
Non-Current Liabilities			
Lease liabilities	10	501,335	758,212
Other financial liabilities	9	<u>1,119,399</u>	<u>1,377,129</u>
		<u>1,620,734</u>	<u>2,135,341</u>
Current Liabilities			
Lease liabilities	10	312,462	360,964
Other financial liabilities	9	22,880,269	21,072,979
Other liabilities	8	<u>139,692</u>	<u>5,847,081</u>
		<u>23,332,423</u>	<u>27,281,024</u>
Total Liabilities		<u><u>24,953,157</u></u>	<u><u>29,416,365</u></u>
Total Equity and Liabilities		<u><u>22,189,010</u></u>	<u><u>30,473,289</u></u>

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

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 S\$	2020 S\$
Continuing operations			
Revenue from operations	14	11,295,796	17,846,779
Finance income		474,685	309,459
Other income	15	650,535	2,145
Total revenue		<u>12,421,016</u>	<u>18,158,383</u>
Administrative expenses	16	(4,459,178)	(6,363,149)
Depreciation	3	(461,277)	(442,686)
Finance costs	18	(1,007,564)	(1,351,719)
Royalty		(1,884,749)	(3,740,158)
Software service expense		(3,247,866)	(3,179,110)
Staff costs	17	(4,643,678)	(4,805,679)
Loss before taxation		<u>(3,283,296)</u>	<u>(1,724,118)</u>
Current tax	19	(4,084)	2,053
Deferred tax	12	(535,000)	535,000
Loss from continuing operations		<u>(3,822,380)</u>	<u>(1,187,065)</u>
Loss for the year		<u>(3,822,380)</u>	<u>(1,187,065)</u>
Other comprehensive income			
Currency translation differences		1,309	17,294
Total comprehensive loss		<u>(3,821,071)</u>	<u>(1,169,771)</u>
Loss attributable to:			
Equity holders of the Company		<u>(3,822,380)</u>	<u>(1,187,065)</u>
Total comprehensive loss attributable to:			
Equity holders of the Company		<u>(3,821,071)</u>	<u>(1,169,771)</u>

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Share Capital S\$	Translation Reserve S\$	Accumulated Losses S\$	Total S\$
As at 1 April 2019	23,470,000	(5,719)	(28,902,586)	(5,438,305)
Issuance of shares (Note 13)	7,665,000	-	-	7,665,000
Total comprehensive income/ (loss) for the year	<u>-</u>	<u>17,294</u>	<u>(1,187,065)</u>	<u>(1,169,771)</u>
As at 31 March 2020	31,135,000	11,575	(30,089,651)	1,056,924
Total comprehensive income/ (loss) for the year	<u>-</u>	<u>1,309</u>	<u>(3,822,380)</u>	<u>(3,821,071)</u>
As at 31 March 2021	<u>31,135,000</u>	<u>12,884</u>	<u>(33,912,031)</u>	<u>(2,764,147)</u>

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

	2021 S\$	2020 S\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(3,283,296)	(1,724,118)
Adjustments for:		
Allowance for doubtful debts and bad debts	1,405,002	2,319,884
Depreciation	461,277	442,686
Interest expenses	1,007,564	1,351,719
Translation difference	1,309	17,294
Translation difference on fixed assets	(4,933)	3,156
Operating (loss)/gain before working capital changes	(413,077)	2,410,621
Trade and other receivables and contract assets	1,051,974	(10,381,629)
Trade and other payables and contract liabilities	(5,857,375)	13,131,010
Cash (used in)/generated from operations	(5,218,478)	5,160,002
Taxation paid	(4,084)	(8,817)
Net cash (used in)/generated from operating activities	<u>(5,222,562)</u>	<u>5,151,185</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(63,915)	(17,798)
Amount due from holding corporation - non-trade	-	(368,483)
Amounts due from related corporation - non-trade	(314,027)	-
Net cash used in investing activities	<u>(377,942)</u>	<u>(386,281)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(924,149)	(1,243,547)
Loan from holding corporation	(823,540)	438,540
Loan from related corporations	2,523,086	24,497
Payment of lease liabilities	(388,794)	(432,910)
Net cash generated from/(used in) financing activities	<u>386,603</u>	<u>(1,213,420)</u>
Net (decrease)/increase in cash and bank balances	(5,213,901)	3,551,484
Cash and bank balances at beginning of year	5,779,036	2,227,552
Cash and bank balances at end of year (Note 7)	<u>565,135</u>	<u>5,779,036</u>

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

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

1 CORPORATE INFORMATION

Ramco Systems Pte. Ltd. is a private company limited by shares incorporated in Singapore with its registered office at 8 Shenton Way #21-07, AXA Tower, Singapore 068811 and the principal place of business at 79 Anson Road, #15-04/05, Singapore 079906.

The Company is a wholly-owned subsidiary of Ramco Systems Limited, a company incorporated in India, which is also the Company's ultimate holding corporation. Related corporations in these financial statements refer to the members of the ultimate holding corporation's group of company.

The principal activities of the Company are to carry on the business pertaining to, or connected with, and involving information technology and software. There have been no significant changes in the nature of these activities during the financial year.

The principal activities of the subsidiary are set out in Note 27 to the financial statements.

The Company has 1 branch operating in Hong Kong. The registered office of the Hong Kong Branch is 11/F Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong and its place of business is 7/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong. Its principal activities is to engage in the business pertaining to, or connected with, and involving information technology and software.

The financial statements of the Company for the year ended 31 March 2021 were authorised for issue in accordance with a resolution of the Directors on 25 May 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRS). The financial statements, expressed in Singapore Dollar (SGD or S\$), which is also the functional currency of the Company, are prepared based on the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. There are no critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgment or complexity except as disclosed in Note 25.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

2.1 Basis of Preparation - cont'd

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 April 2020. The adoption of these standards did not have any material effect on the financial statements.

A number of new standards, amendments to standards and interpretations are issued but effective for annual periods beginning on or after 1 April 2021, and have not been applied in preparing these financial statements. The Company does not plan to early adopt these standards.

Description	Effective for annual periods beginning on or after
Amendments to FRS 116 Leases: Covid-19 Related Rent Concessions	1 June 2020
Amendments to FRS 109 Financial Instruments, FRS 39 Financial Instruments: Recognition and Measurement, FRS 107 Financial Instruments: Disclosures, FRS 104 Insurance Contracts, FRS 116 Leases: Interest Rate Benchmark Reform - Phase 2	1 Apr 2021
Amendments to FRS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 Apr 2022
Amendments to FRS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	1 Apr 2022
Annual Improvements to FRS 2018 - 2020	1 Apr 2022
Amendments to FRS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non - Current	1 Apr 2023
Amendments to FRS 110 Consolidated Financial Statements and FRS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to determined
Amendments to FRS 103 Business Combinations: Reference to the Conceptual Framework	1 Apr 2022
FRS 117 Insurance Contracts	1 Apr 2023

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

2.2 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any cost 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 property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

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

	Years
Computer	3
Office equipment	3
Right-of-use asset	2-5

The residual value, useful lives and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

An item of property, 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 derecognised.

2.3 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, where applicable, 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

2.4 Financial Instrument

2.4.1 Financial Assets

Initial Recognition and Measurement

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

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

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

Subsequent Measurement

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, fair value through other comprehensive income (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.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

2.4 Financial Instrument - cont'd

2.4.1 Financial Assets - cont'd

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.

2.4.2 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 trade and other payables.

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.

2.5 Impairment of Financial Assets

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

2.5 Impairment of Financial Assets - cont'd

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).

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.

2.6 Cash and Cash Equivalents

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

2.7 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the rights to control the use of an identified asset for a period of time in exchange for consideration.

2.7.1 As Lessee

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

Right-of-Use Assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

2.7 Leases - cont'd

2.7.1 As Lessee - cont'd

Right-of-Use Assets - cont'd

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.3.

The Company's right-of-use assets are presented within property, plant and equipment (Note 3).

Lease Liabilities

At the commencement date of the lease, the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

The Company's lease liability is disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

2.7 Leases - cont'd

2.7.1 As Lessee - cont'd

Short-Term Leases and Leases of Low-Value Assets

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

2.8 Provision

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.

2.9 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.

2.10 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.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

2.11 Related Parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

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

(b) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

2.12 Taxes

2.12.1 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 substantively 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

2.12 Taxes - cont'd

2.12.2 Deferred Tax

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

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 by the end of the 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.

2.12.3 Goods and Services Tax (GST)

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

- (a) 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
- (b) 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.

2.13 Revenue Recognition

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

2.13 Revenue Recognition - cont'd

2.13.1 Services

Revenue from sale of goods and services in the ordinary course of business is recognised when the Company satisfies a performance obligation ("PO") by transferring control of a promised good and 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 standalone selling prices of the promised goods and services. The individual standalone selling price of a good and 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 goods and 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.

A contract asset is recognised for the cumulative revenue recognised but not yet invoiced whilst a contract liability is recognised for advance payments from customers which the Company needs to perform work to satisfy the performance obligations.

2.13.2 License Fees

License fee revenue is recognised on delivery of the software.

2.13.3 Implementation Fees

Implementation contracts are either milestones based or time and material based.

In case of milestone contract, revenue is recognised upon achievement of the milestones as per the terms of the contract.

In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

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 input method reflecting the progress towards complete satisfaction of that PO.

2.13.4 Annual Maintenance Contract

Revenue from maintenance services is recognised on a pro-rata basis over the period of the contract.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

2.14 Employee Benefits

2.14.1 Defined Contribution Plans

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.

2.14.2 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.

2.15 Government Grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the fair value is recognised as deferred income on the statement of financial position and is recognised as income in equal amounts over the expected useful life of the related asset.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

2.15.1 Property Tax Rebate

The Singapore Government had given remission of property tax (property tax rebates) under section 6(8) of the Property Tax Act (Cap. 254) to qualifying non-residential properties in response to the COVID-19 pandemic.

For the portion of a non-residential property leased out to a lessee (tenant), the owner of the property (landlord) must transfer the benefit from the property tax rebate under section 29 of the COVID-19 (Temporary Measures) Act 2020. For the vacant portion of the property, the landlord itself will benefit from the property tax rebate.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

2.15 Government Grants - cont'd

2.15.2 Jobs Support Scheme

The Jobs Support Scheme provides wage support to employers to help them retain their local employees during this period of economic uncertainty. Employers who have made CPF contributions for their local employees will qualify for the payouts under the scheme.

2.15.3 Rental Relief

Qualifying property owners received support via a Government cash grant and they must in turn provide the necessary rental relief to their eligible Small and Medium Enterprises (SMEs) and Non-Profit organisations (NPOs) tenant - occupiers of the prescribed properties under the Rental Relief Framework.

2.16 Going Concern

The Company incurred a net loss during the year ended 31 March 2021 and, as of that date, the Company's current liabilities exceeded the current assets. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability as a going concern. The ability of the Company to continue as a going concern depends on the ultimate holding company undertaking to provide continued financial support and not to recall amounts due to them until all creditors have been paid.

The financial statements have been prepared on a going concern basis, as the ultimate holding company, has agreed to provide continuing financial support as deemed fit and necessary to the Company. If the financial support is not forthcoming and as a result, the Company is unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reflect the situation that the assets may need to be realised other than in the normal course of the business and at amounts which could differ significantly from the amounts stated in the statement of financial position. In addition, the Company may have to provide further liabilities which may arise, and to reclassify long term assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

3 PROPERTY, PLANT AND EQUIPMENT

	Office Equipment S\$	Computer S\$	Sub-total S\$	Right-of- Use Asset S\$	Total S\$
2021					
Cost					
At beginning of year	567,317	170,815	738,132	1,443,914	2,182,046
Additions	-	11,379	11,379	52,536	63,915
At end of year	<u>567,317</u>	<u>182,194</u>	<u>749,511</u>	<u>1,496,450</u>	<u>2,245,961</u>
Accumulated Depreciation					
At beginning of year	488,275	146,346	634,621	355,077	989,698
Depreciation	64,918	18,592	83,510	377,767	461,277
Translation reserve	-	-	-	(4,933)	(4,933)
At end of year	<u>553,193</u>	<u>164,938</u>	<u>718,131</u>	<u>727,911</u>	<u>1,446,042</u>
Carrying Amount					
At end of year	<u>14,124</u>	<u>17,256</u>	<u>31,380</u>	<u>768,539</u>	<u>799,919</u>
	Office Equipment S\$	Computer S\$	Sub-total S\$	Right-of- Use Asset S\$	Total S\$
2020					
Cost					
At beginning of year	553,977	166,357	720,334	-	720,334
Effect of adopting FRS 116 (Note 11)	-	-	-	1,443,914	1,443,914
At beginning of year (restated)	553,977	166,357	720,334	1,443,914	2,164,248
Additions	13,340	4,458	17,798	-	17,798
At end of year	<u>567,317</u>	<u>170,815</u>	<u>738,132</u>	<u>1,443,914</u>	<u>2,182,046</u>
Accumulated Depreciation					
At beginning of year	420,894	122,962	543,856	-	543,856
Depreciation	67,381	23,384	90,765	351,921	442,686
Translation reserve	-	-	-	3,156	3,156
At end of year	<u>488,275</u>	<u>146,346</u>	<u>634,621</u>	<u>355,077</u>	<u>989,698</u>
Carrying Amount					
At end of year	<u>79,042</u>	<u>24,469</u>	<u>103,511</u>	<u>1,088,837</u>	<u>1,192,348</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

4 TRADE RECEIVABLES

	2021	2020
	S\$	S\$
Trade receivables	3,639,432	4,216,655
Amount due from related corporations - trade	2,376,464	2,952,809
Less: Allowance for doubtful debt		
At beginning of year	269,321	147,645
Allowance during the year	168,944	121,676
At end of year	(438,265)	(269,321)
	5,577,631	6,900,143

Trade receivables are non-interest bearing and are generally on 0 to 120 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The maximum exposure of credit risk for trade receivables at the reporting date is S\$5,577,631 (2020: S\$6,900,143).

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

2021	Gross	ECL rate	ECL
	S\$	%	S\$
Current	1,861,257	2.5% - 40%	22,420
Past due 1 - 30 days	1,062,188	2.5% - 40%	81,510
Past due 31 - 90 days	1,222,166	2.5% - 40%	13,878
More than 90 days	1,870,285	2.5% - 40%	320,457
	6,015,896		438,265
2020	Gross	ECL rate	ECL
	S\$	%	S\$
Current	3,817,896	2%	54,242
Past due 1 - 30 days	881,988	2%	3,852
Past due 31 - 90 days	343,846	2%	6,176
More than 90 days	2,125,734	20%	205,051
	7,169,464		269,321

The Company reviews the ECL of its trade receivables on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

5 OTHER ASSETS

	2021 S\$	2020 S\$
Non-current		
Advances paid to suppliers	-	33,915
Prepayments	-	2,715
Tax advances and tax recoverable	124,597	-
	<u>124,597</u>	<u>36,630</u>
Current		
Advances paid to suppliers	6,850	1,972
Prepayments	83,739	29,629
Tax advances and tax recoverable	10,281	132,737
	<u>100,870</u>	<u>164,338</u>

6 OTHER FINANCIAL ASSETS

	2021 S\$	2020 S\$
Non-current		
Contract assets *	9,254,976	11,430,205
Less: Allowance for doubtful debt		
At beginning of year	339,288	-
Allowance during the year	986,539	339,288
Written back during the year	(339,288)	-
At end of year	<u>(986,539)</u>	<u>(339,288)</u>
	8,268,437	11,090,917
Employee advances**	12,503	-
Security deposits	111,256	130,409
	<u>8,392,196</u>	<u>11,221,326</u>
Current		
Contract assets *	5,873,066	4,275,787
Less: Allowance for doubtful debt		
At beginning of year	93,612	447,368
Allowance during the year	405,330	93,612
Written back during the year	(93,612)	(447,368)
At end of year	<u>(405,330)</u>	<u>(93,612)</u>
	5,467,736	4,182,175
Amount due from related corporations ^a	682,242	368,216
Employee advances**	34,876	55,614
Government grant receivable [^]	371,048	-
Security deposits	72,760	38,463
	<u>6,628,662</u>	<u>4,644,468</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

6 OTHER FINANCIAL ASSETS - cont'd

& Amount due from related corporations - non-trade are unsecured, interest-free and repayable on demand.

* A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets primarily relate to unbilled amounts on implementation / professional services contracts and are classified as non-financial asset as the contractual right to consideration is dependent on completion of contractual milestones (which we refer to as unbilled services revenue). Unbilled revenues on software licensing are classified as a financial asset where the right to consideration is unconditional upon passage of time (which we refer to as unbilled licenses revenue). The unbilled royalty revenue is also grouped here.

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

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

** These are advanced salaries given to staffs upon request. The amounts are deducted from the staffs' salaries in monthly instalments. They are non-interest bearing and unsecured.

^ These are grant receivables from the Economic Development Board for the expenses incurred with respect to the project on the development of Ramco Systems - Establishment of Ramco Aviation Design & Analytics Research ("RADAAR") Centre (Note 15).

7 CASH AND CASH EQUIVALENTS

	2021 S\$	2020 S\$
Cash in hand	1,403	328
Cash at bank	563,732	5,778,708
	<u>565,135</u>	<u>5,779,036</u>

8 OTHER LIABILITIES

	2021 S\$	2020 S\$
Current		
Advances from customer *	-	5,697,881
Other liabilities	139,692	149,200
	<u>139,692</u>	<u>5,847,081</u>

* This pertains to advances received for payroll services.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

9 OTHER FINANCIAL LIABILITIES

	2021 S\$	2020 S\$
Non-current		
Accrued operating expenses	-	93,234
Contract liabilities*	6,812	23,063
Contract liabilities - unbilled royalty*	880,364	1,042,483
Provision^^	232,223	218,349
	<u>1,119,399</u>	<u>1,377,129</u>
Current		
Accrued operating expenses	1,260,059	1,175,697
Amount due to holding corporation - trade	3,374,649	4,037,536
Amount due to related corporations - trade	1,084,936	677,083
Contract liabilities	730,163	985,949
Contract liabilities - unbilled royalty	649,728	470,157
Loans from holding corporation**	7,280,000	8,103,540
Loans from related corporations^	7,907,461	5,384,375
Other creditors	577,875	222,520
Provision^^	15,398	16,122
	<u>22,880,269</u>	<u>21,072,979</u>

*Contract liabilities arise from advance payments from customers. In the case of services, such advances arise when a particular milestone payment exceeds the work done to date.

**Loans from holding corporation is unsecured, bore interest at a rate of 8.75% (2020: 8.75% per annum and is repayable on demand.

^Loans from related corporations are unsecured, bore interest at a rate of 5% (2020: 5%) per annum and is repayable on demand.

^^Provision are mainly provided for employee benefits such as gratuity and paid leave encashment.

10 LEASE LIABILITIES

	2021 S\$	2020 S\$
Current	312,462	360,964
Non-current	501,335	758,212
	<u>813,797</u>	<u>1,119,176</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

10 LEASE LIABILITIES - cont'd

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

	1 April 2020	Cashflows	Non-cash changes		31 March 2021
			Accretion of Interest	Others	
Liabilities					
Lease liabilities					
Current	360,964	(388,794)	83,415	256,877	312,462
Non-current	758,212	-	-	(256,877)	501,335
	<u>1,119,176</u>	<u>(388,794)</u>	<u>83,415</u>	<u>-</u>	<u>813,797</u>
	1 April 2019	Cashflows	Non-cash changes		31 March 2020
			Accretion of Interest	Others	
Liabilities					
Lease liabilities					
Current	-	(432,910)	108,172	685,702	360,964
Non-current	-	-	-	758,212	758,212
	<u>-</u>	<u>(432,910)</u>	<u>108,172</u>	<u>1,443,914</u>	<u>1,119,176</u>

11 LEASES

Company as a lessee

The Company has lease contracts for premises and equipment. The Company's obligations under these leases are secured by the lessor's title to the leased assets. The Company is restricted from assigning and subleasing the leased assets.

Carrying Amounts of Right-of-Use Assets Classified Within Property, Plant and Equipment

	Right-of-use assets S\$
At 1 April 2020	1,088,837
Additions	52,536
Depreciation	(377,767)
Translation difference	4,933
At 31 March 2021	<u>768,539</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

11 LEASES - cont'd

Lease Liabilities

The carrying amounts of lease liabilities and the movements during the year are disclosed in Note 10 and the maturity analysis of lease liabilities is disclosed in Note 22.

Amounts recognised in profit or loss

	2021
	S\$
Depreciation of right-of-use assets	377,767
Finance lease interest (Note 18)	83,415
Translation difference	(4,933)
Total amount recognised in profit or loss	<u>456,249</u>

Total cash outflow

The Company had total cash outflows for leases of S\$388,794 in financial year 2021.

12 DEFERRED TAX ASSET

	2021	2020
	S\$	S\$
At beginning of year	535,000	-
Charged to profit and loss account	(535,000)	535,000
	<u>-</u>	<u>535,000</u>

In the prior year, the following factors leads the Company to believe that there would be sufficient profits in the future to utilise the unused tax losses:

- Singapore is the regional hub for the Company. The company continue to be an important contributor in terms of order booking and revenue. The revenue of the Company has grown from financial year ended 2017 to 2020.
- The holding company continues to support financially by infusing equity and extending loan as needed. It had resorted to conversion of loan into equity, in order to strengthen the equity base. This also has the effect of reducing the interest cost.
- The holding company had reduced the royalty rate from 40% to 30% from the financial year 2020.
- License granted for the software of the Company to customers in the Asia region is being accounted and billed from Singapore, subject to the agreements with those customers. This will directly increase the bottom line, since license revenue in general has no cost other than royalty of 30% payable to the holding company.
- Cost optimisation measures are being undertaken to improve the bottom line.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

13 SHARE CAPITAL

	2021		2020	
	No. of shares	S\$	No. of shares	S\$
Ordinary shares issued and fully paid:				
At beginning of year	31,135,000	31,135,000	23,470,000	23,470,000
Issuance of share [^]	-	-	7,665,000	7,665,000
At end of year	<u>31,135,000</u>	<u>31,135,000</u>	<u>31,135,000</u>	<u>31,135,000</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 restriction and have no par value.

[^] In 2020, S\$7,665,000 was converted to shares from loan from holding company.

14 REVENUE FROM OPERATIONS

	2021	2020
	S\$	S\$
Royalty	37,253	28,694
Revenue from software products	6,067,328	11,734,282
Revenue from software services	5,165,864	6,083,803
Value added resale	25,351	-
	<u>11,295,796</u>	<u>17,846,779</u>

Revenue recognised at point in time contributes 28% (2020:51%) of the total revenue in financial year 2021 and 2020.

Transaction price allocated to remaining performance obligations

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 March 2021 is S\$1,068,023. The Company expects to recognise S\$1,061,211 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 March 2021 in the financial year 2022.

The method for recognising revenues depends on the nature of the products sold / services rendered:

(a) Revenue from Software Products

Software Licensing

Software licensing revenues represent all fees earned from granting customers licenses to use the Company's software, through initial licensing and or through the purchase of additional modules or user rights.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

14 REVENUE FROM OPERATIONS - cont'd

(a) Revenue from Software Products - cont'd

Software Licensing - cont'd

For software license arrangements that do not require significant modification or customisation of the underlying software, revenue is recognised on delivery of the software and when the customer obtains a right to use such licenses.

Subscription for Software as a Service

Subscription fees for offering the hosted software as a service are recognised as revenue rateably on straight line basis, over the term of the subscription arrangement.

Product Support Services

Fees for product support services, covering inter alia improvement and upgradation of the basic Software, whether sold separately (e.g., renewal period AMC) or as an element of a multiple-element arrangement, are recognised as revenue rateably on straight line basis, over the term of the support arrangement.

Application Maintenance Services

Fees for the application maintenance services, covering inter alia the support of the customised software, are recognised as revenue rateably on straight line basis, over the term of the support arrangement.

Royalty Income

Royalty income represents fees charged at arms-length basis on the revenue earned from external customers by the subsidiaries, by way of Software Licensing, Product Support Services, Subscription for Software as a Service and Application Maintenance Service, in respect of Company's Software Products. Such royalty income is recognised at the point of time at which the subsidiaries recognise the said revenue.

(b) Revenue from Software Services

Implementation / Professional Services

Software Implementation / Professional Services contracts are either fixed price or time and material based.

Revenues from fixed price contracts, where the performance obligations are satisfied over time, are recognised using the input method. It is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

14 REVENUE FROM OPERATIONS - cont'd

(b) Revenue from Software Services - cont'd

Implementation / Professional Services - cont'd

Software Implementation / Professional Services contracts are either fixed price or time and material based. Revenues from fixed price contracts, where the performance obligations are satisfied over time, are recognised using the input method. It is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project.

The cost expended (or input) method has been used to measure progress towards completion as there is direct relationship between input and productivity. The performance obligations are satisfied as and when the services are rendered since the customer generally obtains control of the work as it progresses.

Where the Software is required to be substantially customised as part of the implementation service, the entire fee for licensing and implementation services is considered to be a single performance obligation and the revenue is recognised using the input method as the implementation services are performed.

Revenues from implementation services in respect of hosting contracts are to be recognised as revenue rateably over the longer of the contract term or the estimated expected life of the customer relationship.

However, considering the existence of partners being available for rendering such implementation services, these services are considered to be a separate element and recognised in accordance with input method.

When total cost estimates exceed revenues in an arrangement, the estimated losses are recognised in the statement of profit and loss in the period in which such losses become probable based on the current contract estimates as a contract provision.

In the case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively as a separate contract if the additional services are priced at the standalone selling price.

Non-refundable one-time upfront fees for enablement / application installation, consisting of standardisation set-up, initiation or activation or user login creation services in the case of hosting contracts, are recognised in accordance with input method once the customer obtains a right to access and use the Software.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

14 REVENUE FROM OPERATIONS - cont'd

(b) Revenue from Software Services - cont'd

Managed Services

Fees for managed services, which include business processing services, are recognised as revenue as the related services are performed.

(c) Revenue from Resale of Hardware & Software

Revenue from sale of traded hardware / software is recognised on transfer of significant risks, rewards and control to the customer.

15 OTHER INCOME

	2021 S\$	2020 S\$
Government grants [^]	646,709	-
Other income	3,826	2,145
	<u>650,535</u>	<u>2,145</u>

[^] The government grants are cash grants received from Singapore Government to help businesses deal with the impact of COVID-19 and also includes grant receivables from the Economic Development Board amounting to S\$371,048 (2020: Nil) (Note 6).

16 ADMINISTRATIVE EXPENSES

Administrative expenses include:

	2021 S\$	2020 S\$
Bad and doubtful debts	1,405,002	2,319,884
Outsourcing costs	912,768	884,944
Rent	723,536	1,054,589
Travelling expenses	108,498	1,226,085
Staff costs (Note 17)	4,643,678	4,805,679

17 STAFF COSTS

	2021 S\$	2020 S\$
Gratuity and superannuation fund	7,590	8,546
Provident fund contribution	195,973	209,408
Salaries and wages	4,356,102	4,515,521
Staff welfare	84,013	72,204
	<u>4,643,678</u>	<u>4,805,679</u>

Included above are key management personnel compensation (Note 21).

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

18 FINANCE COSTS

	2021 S\$	2020 S\$
Interest on lease	83,415	108,172
Interest on loans	924,149	1,243,547
	<u>1,007,564</u>	<u>1,351,719</u>

19 TAXATION

Major components of income tax expense are as follows:

	2021 S\$	2020 S\$
Current year taxation	4,084	-
Over provision of prior year taxation	-	(2,053)
	<u>4,084</u>	<u>(2,053)</u>

A reconciliation between the tax expense and the product of accounting profit and loss multiplied by the applicable tax rate are as follows:

	2021 S\$	2020 S\$
Loss before taxation	<u>(3,283,296)</u>	<u>(1,724,118)</u>
Tax expense on loss before taxation at 17%	(558,160)	(293,100)
Adjustments:		
Deferred tax not recognised	20,834	16,133
Effect of foreign tax rates	79,400	12,094
Non-deductible expenses	17,200	34,394
Under/(over) provision of prior year tax	1,548	(2,053)
Tax rebate	-	(3,485)
Unutilised tax losses	440,890	235,215
Other	2,372	(1,251)
Tax expense	<u>4,084</u>	<u>(2,053)</u>

Unrecognised deferred tax assets:

Deferred tax assets in respect of the following items have not been recognised in the financial statements as the probability of future taxable profits being available to utilise such benefits cannot be reliably established:

	2021 S\$	2020 S\$
Unutilised tax losses	<u>5,105,458</u>	<u>3,183,992</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

19 TAXATION - cont'd

The Company's unutilised tax losses are available for offset against future taxable profits subject to the agreement of the tax authorities and compliance with certain provisions of the Singapore Income Tax Act, Chapter 134.

20 OPERATING LEASE COMMITMENTS

Operating lease commitment - as lessee

Rental expenses for the year ended 31 March 2021 were Nil (2020: Nil). Future minimum rentals under non-cancellable leases are as follows as of 31 March:

	2021 S\$	2020 S\$
Payable:		
Within 1 year	-	4,878
Within 2 to 5 years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>4,878</u>

As disclosed in Note 2.7, the Company has adopted FRS 116 on 1 April 2019. These lease payments (principally for office and guest house rental) have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 31 March 2021.

21 SIGNIFICANT RELATED PARTIES TRANSACTIONS

Significant related party transactions on terms agreed between the Company and its related parties are as follows:

	2021 S\$	2020 S\$
Holding Corporation		
Royalty fees	1,211,645	1,512,585
Unbilled royalty fee	673,104	2,227,573
Hosting expense	192,301	621,342
Overseas manpower cost	13,934	198,530
Travelling expenses	120,053	673,297
Manpower and travel	(906,957)	(750,454)
Outsourcing	56,223	-
Outsourcing recovery	(80,768)	
Marketing expenses	(799)	2,372
Interest on loans	637,002	968,871
Guest house recovery	(145,760)	(223,101)
Transfer pricing	<u>2,777,517</u>	<u>3,179,110</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

21 SIGNIFICANT RELATED PARTIES TRANSACTIONS - cont'd

Related Corporations

Royalty income	(37,253)	(28,694)
Interest on loans	287,147	274,676
Manpower and travel	(2,321,547)	(1,606,055)
Others	950,311	18,050
	<u>950,311</u>	<u>18,050</u>

Key management personnel compensation for the financial year is as follows:

	2021	2020
	S\$	S\$
Directors:		
Salaries, bonus and other related costs	679,002	523,473
Defined contribution pension costs	17,340	14,169
	<u>696,342</u>	<u>537,642</u>
Other Key Management		
Salaries, bonus and other related costs	1,596,435	1,626,624
Defined contribution pension costs	7,440	13,260
	<u>1,603,875</u>	<u>1,639,884</u>

Other key management personnel are senior personnel reporting directly to the directors.

Balances with related parties at the reporting date are set out in Note 4, 6 and 9.

22 FINANCIAL RISK MANAGEMENT

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

The directors review and agree 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 purpose shall be undertaken.

The following sections provide details regarding the Company's exposure to the above-mentioned 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

22 FINANCIAL RISK MANAGEMENT - cont'd

22.1 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), the Company minimises credit risk by dealing exclusively 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.

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, default of interest due for more than 30 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 group 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

22 FINANCIAL RISK MANAGEMENT - cont'd

22.1 Credit Risk - cont'd

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

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	12-month or lifetime ECL	Gross carrying amount S\$	Loss allowance S\$	Net carrying amount S\$
2021					
Trade receivables	4	Lifetime ECL (simplified)	6,015,896	(438,265)	5,577,631
Other receivables	5,6	12-month ECL	16,638,194	<u>(1,391,869)</u> <u>(1,830,134)</u>	15,246,325
2020					
Trade receivables	4	Lifetime ECL (simplified)	7,169,464	(269,321)	6,900,143
Other receivables	5,6	12-month ECL	16,499,662	<u>(432,900)</u> <u>(702,221)</u>	16,066,762

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

22 FINANCIAL RISK MANAGEMENT - cont'd

22.1 Credit Risk - cont'd

Trade Receivables

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 to trade receivables is presented based on their past due status in terms of the provision matrix.

Information regarding loss allowance movement of trade receivables is disclosed in Note 4.

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. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

See Note 4 and 6 for more disclosure on credit risk.

22.2 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 arise 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 standby credit facilities. The Company finances its working capital requirements through a combination of funds generated from operations. The directors are satisfied that funds are available to finance the operations of the Company.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

22 FINANCIAL RISK MANAGEMENT - cont'd

22.2 Liquidity Risk - cont'd

Analysis of Financial Instruments by Remaining Contractual Maturities

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations:

2021	Within 1 year S\$	Within 2 to 5 years S\$	Total S\$
Financial Assets			
Trade receivables	5,577,631	-	5,577,631
Other financial assets	6,628,662	8,392,196	15,020,858
Cash and cash equivalents	565,135	-	565,135
Total undiscounted financial assets	<u>12,771,428</u>	<u>8,392,196</u>	<u>21,163,624</u>
Financial Liabilities			
Other financial liabilities	22,880,269	1,119,399	23,999,668
Lease liabilities	312,462	501,335	813,797
Total undiscounted financial liabilities	<u>23,192,731</u>	<u>1,620,734</u>	<u>24,813,465</u>
Total net undiscounted financial (liabilities)/assets	<u>(10,421,303)</u>	<u>6,771,462</u>	<u>(3,649,841)</u>
2020			
Financial Assets			
Trade receivables	6,900,143	-	6,900,143
Other financial assets	4,644,468	11,221,326	15,865,794
Cash and cash equivalents	5,779,036	-	5,779,036
Total undiscounted financial assets	<u>17,323,647</u>	<u>11,221,326</u>	<u>28,544,973</u>
Financial Liabilities			
Other financial liabilities	21,072,979	1,377,129	22,450,108
Lease liabilities	360,964	758,212	1,119,176
Total undiscounted financial liabilities	<u>21,433,943</u>	<u>2,135,341</u>	<u>23,569,284</u>
Total net undiscounted financial (liabilities)/assets	<u>(4,110,296)</u>	<u>9,085,985</u>	<u>4,975,689</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

22 FINANCIAL RISK MANAGEMENT - cont'd

22.3 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.

22.3.1 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 their cash and cash equivalents and loan to holding company.

The Company is not exposed to interest rate risk as it does not have any financial instruments bearing variable interest rate as at the reporting date.

22.3.2 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 transactional currency exposures arising from sales or purchases that are denominated in currency other than the functional currency of the Company, primarily Swiss Franc (CHF), Chinese Yuan (CNY), Euro (EUR), Indonesian Rupiah (IDR), Philippine Peso (PHP), United States Dollar (USD) and Malaysian Ringgit (MYR)

The Company's exposure to foreign currencies is as follows:

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

22 FINANCIAL RISK MANAGEMENT - cont'd

22.3 Market Risk - cont'd

22.3.2 Foreign Currency Risk- cont'd

Sensitivity analysis

A 10% strengthening of *Singapore Dollar* against the following currencies at the reporting date would increase/(decrease) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

2021	Profit or loss (before tax) S\$
Chinese Yuan	18,388
Euro	(540)
Indonesian Rupiah	(206,627)
Philippine Peso	(362,205)
Swiss Franc	26,676
United States Dollar	(440,642)
	<u>(935,854)</u>
2020	
Chinese Yuan	1,249
Euro	(598)
Indonesian Rupiah	(119,519)
Philippine Peso	(421,908)
Swiss Franc	32,171
United States Dollar	(849,054)
	<u>(1,357,659)</u>

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

23 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:

	2021 S\$	2020 S\$
Financial Assets		
Trade receivables	5,577,631	6,900,143
Other financial assets	15,020,858	15,865,794
Cash and cash equivalents	565,135	5,779,036
	<u>21,163,624</u>	<u>28,544,973</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

23 FINANCIAL INSTRUMENTS BY CATEGORY - cont'd

	2021	2020
	S\$	S\$
Financial Liabilities		
Financial liabilities measured at amortised cost:		
Other financial liabilities	23,999,668	22,450,108
Lease liabilities	813,797	1,119,176
	<u>24,813,465</u>	<u>23,569,284</u>

24 FAIR VALUE

Cash and cash equivalents, other receivables and other payables

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

Trade receivables and trade payables

The carrying amounts of these receivables and payables (including trade balances due from/to holding and related corporations) approximate their fair values as they are subject to normal trade credit terms.

Loan from the holding corporation and related corporations

The carrying amounts of loan to the holding corporation and related corporations approximate their fair values as they are subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

25 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of 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

Estimated Useful Life for Property, Plant and Equipment

Estimated useful life for property, plant and equipment is based on the Company's assessment of the expected usage of the asset and expect wear and tear of the asset. The depreciation is charged against the fixed assets to show utilisation of the assets. The estimation of depreciation and useful life requires use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of property, plant and equipment and depreciation expenses in the period in which such estimates has been changed.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

25 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - cont'd

Depreciation of Property, Plant and Equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of plant, property and equipment to be 3 years. The carrying amount of the Company's property, plant and equipment as at 31 March 2021 is S\$799,919, (2020: S\$1,192,348). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual lives of these assets, therefore future depreciation charges could be revised.

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 4.

The carrying amount of the Company's trade receivables as at 31 March 2021 was S\$5,577,631 (2020: S\$6,900,143).

Tax on Other Jurisdictions

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

Revenue Recognition

Revenue is measured based on the transaction price, which is the consideration, adjusted for finance components and volume discounts, service level credits, performance bonus, price concessions and incentives, if any, as specified in the contract with the customers.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

25 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - cont'd

Revenue Recognition - cont'd

Revenue is recognised in the profit and loss account upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those services or products and excluding taxes or duties. To recognise revenues, the Company applies the following five step approach:

- (1) identify the contract with a customer,
- (2) identify the performance obligations in the contract,
- (3) determine the transaction price,
- (4) allocate the transaction price to the performance obligations in the contract, and
- (5) recognise revenues when a performance obligation is satisfied.

At contract inception, the Company assesses its promise to transfer products or services to a customer to identify separate performance obligations. The Company applies judgement to determine whether each product or service promised to a customer is capable of being distinct, and are distinct in the context of the contract, if not, the promised products or services are combined and accounted as a single performance obligation. The Company allocates the contract value to separately identifiable performance obligations based on their relative stand-alone selling price (mostly as reflected in the contracts) or residual method. Standalone selling prices are determined based on sale prices for the components when it is regularly sold separately. In cases where the Company is unable to determine the stand-alone selling price, the Company uses expected cost-plus margin approach in estimating the stand-alone selling price.

For performance obligations where control is transferred over time, revenues are recognised by measuring progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the promised products or services to be provided.

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.

26 CAPITAL 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 trade and other payables 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

26 CAPITAL MANAGEMENT - cont'd

No specific gearing ratio has been determined by 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 were as follows:

	2021 S\$	2020 S\$
Total trade and other payables and lease liabilities	24,953,157	29,416,365
Less: Cash and cash equivalents	<u>(565,135)</u>	<u>(5,779,036)</u>
Net debts	24,388,022	23,637,329
Total equity	<u>(2,764,147)</u>	<u>1,056,924</u>
Total capital	<u>21,623,875</u>	<u>24,694,253</u>
Gearing ratio	<u>1.13</u>	<u>0.96</u>

The Company does not have any externally imposed capital requirements. The Company's overall strategy remains unchanged from 31 March 2020.

27 OTHER MATTER

27.1 Investment

Details of the subsidiary are as follows:

Name of companies	Principal activities	Place of incorporation and business	Effective equity held by the Company		Cost of investment	
			2021 %	2020 %	2021 S\$	2020 S\$
<i>Held by the Company</i>						
Ramco Systems Macau Limited	Implementation of software and information technology consultancy	Macau	-	-	-	-

The subsidiary was incorporated on 3 May 2019. No allotment of shares was made and no assets and liabilities incurred since incorporation.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2021

27 OTHER MATTER - cont'd

27.2 Covid-19

An outbreak of the Coronavirus Disease (COVID-19) had been reported to the World Health Organisation in China on 31 December 2019. On 31 January 2020, the World Health Organisation announced the Coronavirus Disease (COVID-19) outbreak as a global health emergency. On 11 March 2020, the World Health Organisation declared the Coronavirus Disease (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. The Coronavirus Disease (COVID-19) outbreak and the measures taken to contain the spread of the pandemic have created a high level of uncertainty to global economic prospects.

Management has reviewed the possible impact of the COVID-19 outbreak on the following matters:

- (1) Changes in economic and market conditions that affect the fair values of the Company's financial and non-financial assets and liabilities.
- (2) Additional expected credit losses due to a decline in the repayment ability of debtors.

Management assessment requires the exercise of judgement and careful consideration of Company's specific facts and circumstances. The Company operates in business segments that have remain relatively stable or unaffected by the outbreak and there may not be a significant increase in loss allowance as the Company's key customers are not in sectors severely affected by the outbreak, and they generally have good repayment history.

The outbreak of Novel Coronavirus (COVID19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The Company has, based on information available, taken into account the possible impact of COVID-19, including on the carrying amounts of financial and non-financial assets and as per the current assessment of the Company, there is no material impact in respect of these in the preparation of the financial statements. However, the impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these financial statements and the Company will continue to monitor the uncertainties caused by COVID-19 to assess the impact on our future economic conditions.

As at year-end the Company has balances due from customer in the Aviation and Manufacturing industries amounting to S\$2,261,874 (2020: S\$1,952,226) for trade receivables and S\$8,047,572 (2020: S\$8,170,944) for unbilled revenue. These are industries that have been significantly impacted by the pandemic due to travel restrictions and movement controls restrictions in the countries where the customers are operating.