

All Subsidiaries



Directors' Statement and Audited Financial Statements

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

For the year ended 31 December 2018

General Information

Directors

Satinder Singh Rekhi Chan Kum Ming Harpreet Rekhi Joydeep Sen Chaudhuri

Secretary

Ng Chee Tiong

Independent Auditor

HLB Atrede LLP

Contents

	Page
Directors' Statement	1
Independent Auditor's Report	3
Balance Sheet	7
Statement of Comprehensive Income	8
Statement of Changes in Equity	8
Cash Flow Statement	9
Notes to the Financial Statements	10

(Co. Reg. No. 199707692G)

Directors' Statement

The directors are pleased to present their statement to the member together with the audited financial statements of R Systems (Singapore) Pte Limited (the "Company") for the financial year ended 31 December 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial positions of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

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

Satinder Singh Rekhi Chan Kum Ming Harpreet Rekhi Joydeep Sen Chaudhuri

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations as stated below:

	Holding registered in names of directors		Holdings in which directors are deemed to have an interest	
Name of directors	At beginning of year	At end of year	At beginning of year	At end of year
		Ordin	nary shares	
<i>The Company</i> Satinder Singh Rekhi	_	_	5,780,768	5,780,768

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (continued)

	Holding registered in names of directors		Holdings in which directors a deemed to have an interest	
Name of directors	At beginning of year	At end of year	At beginning of year	At end of year
		Ordinary sh	ares of Rs. 1 each	
The immediate and		•		
ultimate holding company				
- R Systems International				
Limited				
Satinder Singh Rekhi	1,281,556	3,148,044	50,973,302	21,226,949
Chan Kum Ming	8,000	8,000	· -	_
Harpreet Rekhi	760	1.508.452	_	_

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of financial year or at the end of financial year.

OPTIONS TO TAKE UP UNISSUED SHARES

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

OPTIONS EXERCISED

During the financial year, there were no shares of the Company issued by virtue of the exercise of options to take up unissued shares.

UNISSUED SHARES UNDER OPTION

At the end of the financial year, there are no unissued shares of the Company under option.

INDEPENDENT AUDITOR

The independent auditor, HLB Atrede LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Chan Kum Ming

Director

Joydeep Sen Chaudhuri

J. S. Chandens

Director

Singapore

30 January 2019



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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of R Systems (Singapore) Pte Limited (the Company), which comprise the balance sheet as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.



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

Other Information (continued)

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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



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

Report on Other Legal and Regulatory Requirements

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

HLBANEDE LLP

HLB Atrede LLP Public Accountants and Chartered Accountants

Singapore 30 January 2019

Balance Sheet as at 31 December 2018

	Note	2018 \$	2017 \$
Non-current assets			
Plant and equipment	4	4,177	4,592
Investment in associate	5	2,775,560	2,775,560
Investment in subsidiary	6	4,608,450	4,608,450
		7,388,187	7,388,602
Current assets			
Trade receivables	7	1,472,524	1,119,797
Other receivables	8	29,984	23,112
Contract asset	9	3,182	27,945
Prepayment		63,128	71,960
Amounts due from a holding company	10	51,176	47,300
Cash and cash equivalents	11	689,215	1,170,809
•		2,309,209	2,460,923
Current liabilities			
Other payables	12	634,673	1,120,585
Contract liability	13	20,087	892
Amounts due to related companies	14	337,272	543,425
Tax payable	15	869	11,829
		992,901	1,676,731
Net current assets		1,316,308	784,192
Non-current liability			
Other payables	12	_	137
Net assets		8,704,495	8,172,657
Equity attributable to owner			
of the Company	• •	# cat ooc	G (01 000
Share capital	16	7,631,000	7,631,000
Accumulated profits		1,073,495	541,657
Total equity		8,704,495	8,172,657

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

Statement of Comprehensive Income for the financial year ended 31 December 2018

	Note	2018 \$	2017 \$
		•	•
Revenue	17	7,220,642	7,711,795
Cost of sales		(6,170,519)	(6,582,198)
Gross profit		1,050,123	1,129,597
Other operating income	18	23,514	41,525
Distribution costs		(4,972)	(6,474)
Administrative expenses		(1,053,952)	(996,940)
Other credits/(charges)	19	514,784	134,053
Profit before tax	20	529,497	301,761
Income tax credit/(expense)	21	2,341	(11,437)
Profit for the year		531,838	290,324
Other comprehensive income			
Total comprehensive income for the year		531,838	290,324

Statement of Changes in Equity Year ended 31 December 2018

	Share capital \$	Accumulated profits	Total \$
Balance at 1 January 2017	7,281,000	251,333	7,532,333
Issuance of ordinary shares	350,000		350,000
Total comprehensive income for the year		290,324	290,324
Balance at 31 December 2017	7,631,000	541,657	8,172,657
Total comprehensive income for the year		531,838	531,838
Balance at 31 December 2018	7,631,000	1,073,495	8,704,495

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

Cash Flow Statement for the financial year ended 31 December 2018

	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	529,497	301,761
Adjustments for:		
Depreciation	2,545	9,733
Fair value adjustment of contingent consideration for business		
combination	(516,000)	(135,000)
Interest income	906	910
Operating profit before working capital changes	16,948	177,404
(Increase)/decrease in trade and other receivables, contract asset	(326,004)	237,820
Increase/(decrease) in other payables and contract liability	49,146	(15,472)
(Decrease)/increase in amounts due to related companies	(193,762)	362,026
Cash (used in)/generated from operations	(453,672)	761,778
Interest received	(906)	(910)
Tax paid	(8,619)	(10,321)
Net cash flows (used in)/from operating activities	(463,197)	750,547
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(2,130)	(1,988)
Settlement of purchase contingent consideration	、 ,	() /
for business combination	_	(390,000)
Net cash flows used in investing activities	(2,130)	(391,988)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	_	350,000
Decrease in amounts due from related companies	_	2,838
(Decrease)/increase in amounts due to related companies	(12,391)	15,498
(Increase)/decrease in amounts due from a holding company	(3,876)	10,070
Net cash flows (used in)/from financing activities	(16,267)	378,406
TIME AMONG MALLIA (MALAN VIVAL AND VIVALUANA) MASULINIANA	(10,201)	
Net (decrease)/increase in cash and cash equivalents	(481,594)	736,965
Cash and cash equivalents at beginning of year	1,170,809	433,844
Cash and cash equivalents at end of year	689,215	1,170,809

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

(Co. Reg. No. 199707692G)

Notes to the Financial Statements – 31 December 2018

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

1. CORPORATE INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

The financial statements are presented in Singapore Dollars (SGD or \$) and all values are rounded to the nearest one-dollar unless otherwise stated.

The accounting policies adopted are consistent with those used in the previous financial year except in current financial year, the Company has adopted all applicable new and revised standards and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. The adoption of these standards and INT FRS did not have any material effect on the financial position or performance of the Company for the current or prior financial years

The Company applied FRS 109 and FRS 115 for the first time. The nature and effect of the changes as a result of the adopting of these new accounting standards are described below:

FRS 109 Financial Instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

FRS 109 Financial Instruments (continued)

Classification and measurement

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

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of FRS 109 did not have a significant impact on the Company. The loans and receivable that are previously measured at amortised cost will continue to be accounted for using amortised cost under FRS 109.

Impairment

The adoption of FRS 109 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing FRS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. FRS 109 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. FRS 109 requires the Company to record ECL on all debt securities, loans, trade receivable and financial guarantee, either on a 12 months or lifetime basis. The Company has applied the simplified approach and record lifetime ECL on all trade receivable. The change in model did not have a material impact to the financial statements on initial recognition.

FRS 115 Revenue from Contracts with Customers

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

FRS 115 Revenue from Contracts with Customers (continued)

Under FRS 115, revenue is recognised when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transfer to the customer.

The Company provides consultancy and placement services and accordingly revenue is recognised to their performance obligation when control over the corresponding service is transferred to the customer. The timing of revenue recognition of each of these performance obligations when provision for the relevant services are completed, are consistent with previous practice.

The Company has changed the presentation of certain amount in the balance sheet to reflect the terminology in FRS 115:

- Accrued revenue in other receivable from previous year were reclassified as part of contract assets.
- Advance billing to customer arising from service contract from previous year were reclassified as part of contract liabilities.

Standards issued but not yet effective

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

Effective date

	(Annual periods beginning on or after)
FRS 116 Leases	1 January 2019
Improvements to FRSs (December 2016): - Amendment to FRS 28: Long-term interests in Associate and Joint venture	1 January 2019
Improvements to FRSs (March 2017):	
- Amendment to FRS 103 Business Combinations	1 January 2019
- Amendment to FRS 111 Joint Arrangements	1 January 2019
- Amendment to FRS 12 Income Taxes	I January 2019
- Amendment to FRS 23 Borrowing Costs	1 January 2019
INT FRS 123: Uncertainty over Income Tax Treatments	1 January 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards issued but not yet effective (continued)

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS is described below.

FRS 116 Leases

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards issued but not yet effective (continued)

FRS 116 Leases (continued)

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

(b) Functional and foreign currency

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

Foreign currency transactions

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

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

(c) Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

Computer – 1 to 3 years
Furniture and fittings – 3 years
Office equipment – 5 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Plant and equipment (continued)

For acquisition and disposals of plant and equipment, depreciation is provided in the month of acquisition and no depreciation is provided in the month of disposal.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial yearend, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(d) Associates

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

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

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

Exemption from accounted the investment in associate using equity method

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

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

(e) Subsidiary

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

In the Company's separate financial statements, investments in subsidiary is accounted for at cost less impairment losses.

(Co. Reg. No. 199707692G)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Subsidiary (continued)

Consolidated Financial Statements (Non-consolidated)

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

The registered address of R Systems International Ltd is B-104A Grater Kailash-I, New Delhi India, India 110048.

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

(f) Financial instrument

(i) Financial assets

Initial recognition and measurement

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

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

(Co. Reg. No. 199707692G)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(i) Financial assets (continued)

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the 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

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

(Co. Reg. No. 199707692G)

Notes to the Financial Statements - 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

Derecognition

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

(ii) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of financial assets

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

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

(Co. Reg. No. 199707692G)

Notes to the Financial Statements – 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of financial assets (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (i) significant financial difficulty of the issuer or the borrower;
- (ii) a breach of contract, such as a default or past due event;
- (iii) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (v) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off

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

(h) Impairment of non-financial assets

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

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

(Co. Reg. No. 199707692G)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

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

(i) Cash and cash equivalents

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

(k) Trade and other payables

Trade and other payables are non-interest bearing and trade payables are normally settled on 30 to 60 days' terms while other payables have an average term of six months.

(1) Government grants

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

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Provisions

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

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

(n) Employee benefits

(i) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

In particular, the Company makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(o) Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownerships of the leased are classified as operating leases.

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

(Co. Reg. No. 199707692G)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Revenue

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

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

(i) Consultancy services

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

(ii) Placement fee

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

(iii) Software development services

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

(iv) Interest income

Interest income is recognised using the effective interest method.

(q) Taxes

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Taxes (continued)

(i) Current income tax (continued)

Current income taxes are recognised in the profit or loss except to the extent that tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

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

Deferred tax liabilities are recognised for all temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Taxes (continued)

(iii) Goods and services tax

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

- Where the goods and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of goods and services tax included.

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

(r) Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities, and disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(i) Judgement made in applying accounting policies

In the process of applying the accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

The Company concluded that revenue for contract services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Company. The fact that another company would not need to re-perform the services that it has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Company's performance as it performs.

The Company recognises revenue over time by measuring its progress towards complete satisfaction of that performance obligation using the output method. The Output methods recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative services promised under the contract. The Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. Therefore the Company recognises revenue in the amount to which it has a right to invoice for service provided.

(ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(ii) Estimates and assumptions (continued)

Provision for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for various customers segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates

Loss given default is an estimate of the loss arising on default.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The information about the ECLs on the Company's trade receivables is disclosed in Note 7.

4. PLANT AND EQUIPMENT

	Computer \$	Furniture and fittings \$	Office equipment \$	Total \$
Cost:				
At 1 January 2017	99,346	_	3,500	102,846
Additions	1,988	_	-	1,988
At 31 December 2017				
and 1 January 2018	101,334	_	3,500	104,834
Additions		950	1,180	2,130
Written off	(4,820)	_	_	(4,820)
At 31 December 2018	96,514	950	4,680	102,144
Accumulated depreciation:				
At 1 January 2017	89,401	_	1,108	90,509
Charge for the year	9,033	_	700	9,733
At 31 December 2017				·
and 1 January 2018	98,434	_	1,808	100,242
Charge for the year	1,457	211	877	2,545
Written off	(4,820)	-	_	(4,820)
At 31 December 2018	95,071	211	2,685	97,967
Net carrying amount:				
At 31 December 2017	2,900	_	1,692	4,592
TR 51 December 2017	2,700		1,002	7,232
At 31 December 2018	1,443	739	1,995	4,177

(Co. Reg. No. 199707692G)

Notes to the Financial Statements - 31 December 2018

5. INVESTMENT IN ASSOCIATE

 2018
 2017

 \$
 \$

 Unquoted equity shares at cost
 2,775,560
 2,775,560

The Company held approximately 30.38% (2017: 30.38%) equity interest in ECnet Limited, incorporated in Singapore.

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

6. INVESTMENT IN SUBSIDIARY

Unquoted equity shares at cost 4,608,450 4,608,450

The details of the investment in subsidiary at 31 December 2018 are as follows:

Name and principal activities	Country of incorporation	Cost of in	vestments	of own	non (%) ership rest
		2018	2017	2018	2017
		\$	\$	%	%
Held by the Company					
IBIZ Consulting Pte. Ltd.					
(Formerly known as IBIZCS					
Group Pte. Ltd.)					
(I.T. integrated solution					
services and I.T support)	Singapore	4,608,450	4,608,450	100	100

The details of the indirect subsidiaries held by IBIZ Consulting Pte. Ltd. at 31 December 2018 are as follows:

Name and principal activities	Country of incorporation	Proportion (%) of ownership interest	
		2018 %	2017 %
Held by direct subsidiary company			
- IBIZ Consulting Pte. Ltd.			
IBIZ Consulting Services Pte Ltd			
(I.T. integrated solution services and I.T. support)	Singapore	100	100
IBIZ Consulting Services Sdn. Bhd.			
(I.T. integrated solution services and I.T. support)	Malaysia	100	100

6. INVESTMENT IN SUBSIDIARY (continued)

Name and principal activities	Country of incorporation	-	on (%) of p interest 2017 %
Held by direct subsidiary company — IBIZ Consulting Pte. Ltd. (continued) PT. IBIZCS Indonesia (I.T. integrated solution services and I.T. support)	Indonesia	100	100
IBIZ Consultancy Services India Private Limited (I.T. integrated solution services and I.T. support)	India	100	100
IBIZ Consulting Services Limited (I.T. integrated solution services and I.T. support)	Hong Kong	100	100
Held by indirect subsidiary company — IBIZ Consulting Services Limited, Hong Kong IBIZ Consulting Services (Shanghai) Co., Ltd (I.T. integrated solution services and I.T. support)	China	100	100

In financial year 2016, the Company had subscribed additional equity shares for a cash consideration of \$150,000 and a revision contingent consideration with the measurement period of \$90,370 for acquisition of the subsidiary in 2015.

7. TRADE RECEIVABLES

	2018 \$	2017 \$
Trade receivables	1,473,407	1,119,797
Less: Allowance for expected credit losses	(883) 1,472,524	1,119,797

The average credit period on sale of goods is 30 to 90 days (2017: 30 to 90 days). No interest is charged on the trade receivables. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

7. TRADE RECEIVABLES (continued)

Receivables that are impaired

The trade receivables that are impaired at the end of the reporting period and the movement in allowance for expected credit losses of based on lifetime ECL are as follows:

	2018 \$	2017 \$
The movement in allowance for expected credit losses as follows:		
Balance at beginning of year	_	_
Allowance for expected credit losses	(883)	#
Balance at end of year	(883)	

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables from contracts with customers based on the Company's provision matrix. As the historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the different customer base.

The following table provides information about the exposure to credit risk and ECLs for trade receivables for individual customers as at 31 December 2018:

	Gross impairment			
4410.0	Weighted average loss rate %	Carrying amount \$	Loss allowance \$	Credit impaired
2018 @				
Current (not past due)	0.01	804,601	81	No
1 to 30 days past due	0.03	575,858	173	No
31 to 60 days past due	0.03	120,146	36	No
61 to 90 days past due	0.03	8,079	2	No
91 to 120 days past due	0.50	8,079	40	No
121 to 150 days past due	0.50	8,079	40	No
151 to 180 days past due	0.50	8,110	41	No
181 to 365 days past due	2.00	23,501	470	No
		* 1,556,453	883	

7. TRADE RECEIVABLES (continued)

	Gross impairment			
2017 @.	Weighted average loss rate %	Carrying amount \$	Loss allowance \$	Credit impaired
2017 @				
Current (not past due)	0.01	628,005	63	No
1 to 30 days past due	0.03	455,667	137	No
31 to 60 days past due	0.03	84,642	25	No
61 to 90 days past due	0.03	6,758	2	No
91 to 120 days past due	0.50	6,250	31	No
121 to 150 days past due	0.50	9,877	49	No
151 to 180 days past due	0.50	, —	-	No
181 to 365 days past due	2.00	1,164	23	No
• •		* 1,192,363	# 330	

^{*} The carrying amount inclusive of related companies' debts of \$83,046 (2017: \$72,566).

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

	2018 \$	2017 \$
Singapore Dollar	1,468,430	1,115,628
United States Dollar	4,094	4,169
	1,472,524	1,119,797

The Company assesses at the end of each reporting period whether there is objective evidence that trade receivables are credit impaired.

8. OTHER RECEIVABLES

Security deposit	20,000	20,000
Sundry receivable	9,984	3,112
	29,984	23,112

9. CONTRACT ASSETS

Contract assets primarily relate to the right to consideration for work completed but not yet billed at reporting date for services rendered. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company invoices the customer.

[#] The expected credit loss of \$330 is not recognised in year 2017.

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

9. CONTRACT ASSETS (continued)

Management always estimates the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the Technology industry. None of the amounts due from customers at the end of the reporting period is past due.

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

10. AMOUNTS DUE FROM A HOLDING COMPANY

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

11. CASH AND CASH EQUIVALENTS

	2018 \$	2017 \$
Cash at bank	589,215	1,170,809
Short term deposit	100,000	_
	689,215	1,170,809

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term deposits are made for a varying period of three months depending on the immediate cash requirements of the Company, and earn interests at the rate of 0.92%.

Cash and cash equivalents amounting to \$32,086 (2017: \$21,036) is denominated in United States Dollar.

12. OTHER PAYABLES

Current:		
Accrued liabilities	79,087	51,539
CPF payable	44,079	38,350
Deferred grant	137	410
GST payable	73,777	77,911
Sundry payables	2,593	1,375
Contingent consideration for business combination	435,000	951,000
	634,673	1,120,585
Non-current:		
Deferred grant		137
	634,673	1,120,722

12. OTHER PAYABLES (continued)

Contingent consideration for business combination

As part of the purchase agreement with the previous owners of IBIZ Consulting Ptc. Ltd. in financial year 2015, a contingent consideration has been agreed and payment is based on the earning from operation before interest, taxes, depreciation and amortisation (EBITDA) applicable for financial year according to the following:

- (i) By no later 31 March 2016, 62% of EBITDA financial year 2015;
- (ii) By no later 31 March 2017, 70% of EBITDA financial year 2016; and
- (iii) By no later 31 March 2018, 78% of EBITDA financial year 2017.

The purchase contingent consideration was \$2,603,080 as at the date acquisition of the subsidiary.

	\$
Financial liability for the contingent consideration as at 31 December 2017 Fair value adjustment as at 31 December 2018	951,000 516,000
Financial liability for the contingent consideration as at 31 December 2018	435,000

13. CONTRACT LIABILITY

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

14. AMOUNTS DUE TO RELATED COMPANIES

	2018	2017
	\$	\$
ECnet Limited		
Trade	183,106	527,927
Non-trade	(3,026)	15,498
	180,080	543,425
IBIZ Consulting Services Pte. Ltd.		
Trade	151,058	_
Non-trade	6,134	
	157,192	<u></u>

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

14. AMOUNTS DUE TO RELATED COMPANIES (continued)

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

			Non-cash	
	2017	Cash flows	changes	2018
	\$	\$	\$	\$
Amounts due from a				
holding company	47,300	3,876	_	51,176
Amounts due to related				
companies	(15,498)	12,391		(3,107)
_	31,802	16,267	_	48,069

15. TAX PAYABLE

	2018 \$	2017 \$
Balance at beginning of year	11,829	10,713
Current year's tax expense on profit	869	11,829
Overprovision for prior year	(3,210)	(392)
Income tax paid	(8,619)	(10,321)
Balance at end of year	869	11,829

16. SHARE CAPITAL

	20:	18	201	17
	Number of shares	\$	Number of shares	\$
Issued and fully paid ordinary shares:				
At beginning of year	5,780,768	7,631,000	5,570,925	7,281,000
Issued during the year			209,843	350,000
At end of year	5,780,768	7,631,000	5,780,768	7,631,000

In previous year, 209,843 new ordinary shares were allotted and issued for total cash consideration of \$350,000. The proceeds were used for working capital purposes.

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

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

Notes to the Financial Statements - 31 December 2018

17.	REVENUE		
		2018 \$	2017 \$
		Ψ	4
	Type of goods and services:		
	Consultancy services	7,083,597	7,621,576
	Placement fees	127,301	75,052
	Software development services	9,744	15,167
		7,220,642	7,711,795
	Timing of revenue recognition:		
	Services transferred at a point in time	127,301	75,052
	Services transferred over time	7,093,341	7,636,743
		7,220,642	7,711,795
18.	OTHER OPERATING INCOME		
	Government grants – PIC cash payout	410	5,138
	 Special employment credit 	2,444	1,912
	 Temporary employment credit 	3,164	8,589
	 Wage credit scheme 	16,590	15,478
	Interest income from current accounts	906	910
	Sundry income		9,498
		23,514	41,525
9.	OTHER CREDITS/(CHARGES)		
	Allowance for expected credit loss	(883)	_
	Bad debt written off	(1,146)	_
	Fair value adjustment of contingent consideration for		
	business combination	516,000	135,000
	Foreign exchange adjustment, gain/(loss)	813	(947)
		514,784	134,053
20.	PROFIT BEFORE TAX		
	The profit before tax is arrived at after charging:		
	Foreign worker levy	38,330	46,434
	Insurance	57,899	69,821
	Rental of premise	53,700	53,700

21. INCOME TAX (CREDIT)/EXPENSE

(i) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

Statement of comprehensive income:	2018 \$	2017 \$
Current tax	869	11,829
Overprovision for prior year	(3,210) (2,341)	(392) 11,437

(ii) Relationship between tax expense and accounting profit

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2018 and 2017 are as follows:

Profit before tax	529,497	301,761
Tax expense on profit before tax at 17%	90,015	51,299
Adjustments: Non-deductible expenses	248	2,689
Income not subject to tax	(88,098)	(23,823)
Tax rebate Tax exemption	(114) (1,419)	(2,943) (15,567)
Deferred tax assets on temporary difference	(1,71)	(13,307)
not recognised	(177)	119
Overprovision for prior year	(3,210)	(392)
Others Total tou (and dit)/avenue	(2.241)	55
Total tax (credit)/expense	(2,341)_	11,437

22. EMPLOYEE BENEFITS

Employee benefits expenses (including directors)		
Salaries, bonuses and allowances	3,815,497	5,307,149
Central provident fund contributions	227,982	191,539
Staff commission	8,120	13,726
	4,051,599	5,512,414

23. OPERATING LEASE COMMITMENT

The Company has entered into residential lease and motor vehicle lease. These leases have remaining term ranging from 9 months to 1 year and 5 months with renewal option included in the contracts. There is no restriction placed upon the Company by entering into these leases.

Future minimum rental payables under non-cancellable leases as at the end of reporting period are as follows:

	2018	2017
	\$	\$
Not later than one year	153,577	153,507
Later than one year but not later than five years	99,807	20,500
	253,384	174,007

The lease payment related to the above commitment for the year of \$186,777 (2017: \$193,027) was billed cost to cost to related companies.

24. RELATED PARTY DISCLOSURES

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

(i) Significant related party transactions

Related companies		
Accounting fee	91,992	91,992
Human resource recruitment fee	50,400	50,400
Management fee	117,108	117,108
Other consultant cost – ECnet Limited	1,870,589	1,369,256
Professional fee	118,800	118,800
Rental of premise	53,700	53,700
Consultancy Services	158,779	_
Software development cost	9,744	14,042
Administrative Services	4,930	_
Other consultant cost – IBIZ Consulting Services Pte Ltd	597,566	

24. RELATED PARTY DISCLOSURES (continued)

(ii) Compensation of key management personnel

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

	2018 \$	2017 \$
Director's remuneration	210,143	190,009

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, foreign currency risk and liquidity risk. The Company's risk management policies focus on the unpredictability of financial markets and seek to, where appropriate, minimise potential adverse effects on the financial performance of the Company. The Company does not have any written financial risk management policies and guidelines and there has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Company's exposure to the financial risks associated with financial instruments held in the ordinary course of business and the objectives, policies and processes for the management of these risks.

(i) Credit risk

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

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

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposures. Credit policies with guidelines on credit terms and limits set the basis for risk control. New customers are subject to credit evaluation while the Company continues to monitor existing customers, especially those with repayment issues. In addition, appropriate allowances are made for probable losses when necessary for identified debtors.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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

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

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

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit- impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is creditimpaired.	Lifetime ECL – credit- impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and has no realistic prospect of recovery.	Amount is written off

The tables below detail the credit quality of the Company's financial assets, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
2018					•	•	•
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified approach)	1,473,407	(883)	1,472,524
Other receivables	8	N.A.	Performing	12m ECL	29,984	_	29,984
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	3,182	_	3,182
Amounts due from a holding company	10	N.A.	Performing	12m ECL	51,176	(833)	51,176

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
2017							
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified approach)	1,119,797	-	1,119,797
Other receivables	8	N.A.	Performing	12m ECL	23,112	_	23,112
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	27,945	-	27,945
Amounts due from a holding company	10	N,A,	Performing	12m ECL	47,300		47,300

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

Exposure to credit risk

At the end of the reporting period, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet. No other financial assets carry a significant exposure to credit risk.

Credit risk concentration profile

At the end of the reporting period, there were no significant concentrations of credit risk due to the Company's many varied customers.

(ii) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

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

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Liquidity risk

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

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

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

26. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

	2018 \$	2017 \$
Financial assets at amortised cost		
Trade receivables	1,472,524	1,119,797
Other receivables	29,984	23,112
Contract asset	3,182	27,945
Amounts due from a holding company	51,176	47,300
Cash and cash equivalent	689,215	1,170,809
-	2,246,081	2,388,963
Financial liabilities at amortised cost		
Other payables	560,759	1,042,264
Contract liability	20,087	892
Amounts due to related companies	337,272	543,425
•	918,118	1,585,581

27. FATR VALUE OF ASSETS AND LIABILITIES

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

27. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(i) Fair value hierarchy

The Company categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,
- Level 2 Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 Unobservable inputs for the asset or liability.

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

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Current trade and other receivables and payables (including amounts due from/(to) related companies), cash and cash equivalents, and accrued operating expenses.

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

28. CAPITAL MANAGEMENT

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

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

29. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequently to the balance sheet date, the Company is in the process of entering into a share purchase agreement with IBIZ Consulting Pte. Ltd. to acquire 100% share capital of IBIZ Consulting Services Pte. Ltd. at the consideration based on its net tangible assets as at 31 December 2018.

30. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 30 January 2019.

Deloitte Haskins & Sells LLP

Chartered Accountants 7th Floor, Building 10, Tower B DLF Cyber City Complex DLF City Phase - II Gurugram - 122 002 Haryana, India

Tel: +91 124 679 2000 Fax: +91 124 679 2012

INDEPENDENT AUDITOR'S REPORT To The Board of Directors of R SYSTEMS, INC. Report on the Financial Statements

We have audited the accompanying financial statements of **R SYSTEMS**, **INC**. ("the Company"), which comprise the Statement of Financial Position as at December 31, 2018, and the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This responsibility also includes maintenance of adequate accounting records, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation and presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimate made by the management, as well as evaluating the overall presentation of the financial statements.

Deloitte Haskins & Sells LLP

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the aforesaid accounting principles, of the state of affairs of the Company as at December 31, 2018, its profit, total comprehensive income, its cash flows and changes in equity for the year ended on that date.

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Chartered Accountants

For **DELOITTE HASKINS & SELLS LLP**

Chartered Accountants (Firm's Registration No. 117366W/W-100018)

JITENDRA AGARWAL

Partner

(Membership No. 87104)

Place: Noida

Statement of financial position as at December 31, 2018

Particulars	Notes	As at	(Amount in USD As a
ASSET\$		December 31, 2018	December 31, 2011
A. Non-current assets			
(a) Property, plant and equipment	3	323,771	202,29
(b) Intangible assets	4	323,771	5,00
(c) Deferred tax assets (net)	5	140,975	409,83
(d) Other financial assets	6	249,000	403,03
(e) Other non-current assets	7	30,568	1,77
Total non-current assets (A)	-	744,314	618,90
B. Current assets	_		
(a) Financial assets			
(i) Trade receivables	8	3,484,446	3,233,55
(ii) Cash and bank balances	9	6,526,478	5,651,37
(iii) Other financial assets	6	663,451	953,13
(b) Current tax assets (net)		18,913	
(c) Other current assets	7	215,336	242,39
Total current assets (B)	E=	10,908,624	10,080,46
Fotal assets (A+B)	=	11,652,938	10,699,370
EQUITY AND LIABILITIES			
A. Capital and reserve			
(a) Share capital	10	1,537,401	1,537,40
(b) Retained earnings	11	7,918,875	7,554,23
Fotal capital and reserve (A)	-	9,456,276	9,091,632
B. Current llabilities			
(a) Financial liabilities			
(I) Trade and other payables	12	1,525,639	1,012,112
(il) Other financial llabilities	14	7,988	58,57
(b) Provisions	13	551,890	516,25
(c) Current tax liability (net)		73,000	9,03
d) Other current liabilities	15	38,145	11,75
otal current liabilities (B)	·-	2,196,662	1,607,738
otal equity and liabilities (A+B)	; -	11,652,938	10,699,370
Summary of significant accounting policies	2		
See accompanying notes to the financial statements	1-25		· · · · · · · · · · · · · · · · · · ·

In terms of our report attached

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

Chartered Accountants

JITENDRA AGARWAL

Partner

Place: Noida

Date: February 08, 2019

For and on behalf of the board of directors of R SYSTEMS, INC.

SATINDER SINGH REKHI

Director

Place: Singapore

R Systems, Inc.

Statement of profit or loss and other comprehensive income for the year ended December 31, 2018

			(Amount in USD)
	Notes	Year ended	Year ended
		December 31, 2018	December 31, 2017
Revenue from operations	16	23,544,151	20,801,105
Cost of revenues	19	(18,413,347)	(16,713,688)
Gross profit	_	5,130,804	4,087,417
Other income	17	132,089	345,019
Depreciation and amortisation expense	18	(128,628)	(122,533)
Selling general and administrative expenses	19	(4,337,803)	(3,703,344)
Profit before tax	÷—	796,462	606,559
Income tax expense	20	(431,818)	(266,922)
Profit after tax	_	364,644	339,637
Other comprehensive income		e e	<u></u>)
Total comprehensive income for the year	_	364,644	339,637
Summary of significant accounting policies	2		
See accompanying notes to the financial statements	1-25		

In terms of our report attached

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

JITENDRA AGARWAL

Partner

Place: Noida

Date: February 08, 2019

For and on behalf of the board of directors of R SYSTEMS, INC.

1

SATINDER SINGH REKHI

Director

Place: Singapore

			(Amount in USD)
Particulars	Share capital	Retained earnings	Total
Balance at January 1 2017	1,537,401	7,214,594	8,751,995
Changes in ordinary shares during the year	=	· ·	
Profit for the year		339,637	339,637
Balance at December 31, 2017	1,537,401	7,554,231	9,091,632
Changes in ordinary shares during the year	-	*	
Profit for the year		364,644	354,644
Balance at December 31, 2018	1,537,401	7,918,876	9,456,277

See accompanying notes to the financial statements

1-25

In terms of our report attached.

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

ITTENDRA AGARWAI

Partner

Place: Noida

Date: February 08, 2019

For and on behalf of the board of directors of R SYSTEMS, INC.

1

SATINDER SINGH REKHI

Director

Place: Singapore

Particulars	Year ended	(Amount in USD) Year ended
Cash flows from operating activities:	December 31, 2018	December 31, 2017
Profit after tax	054.644	
Adjustments for:	364,644	339,637
By operating activities		
Income tax expense	404.040	
Depreciation and amortisation expense	431,818 128,628	266,922
Profit on sale of asset	(6,300)	122,533
Provision / (reversal) for doubtful debts and advances (net)	44,583	(68,639)
Liability no longer required written back	23,050	96,944
Interest income	(102,739)	(23,737)
Changes in operating assets and liabilities:	,,,,,,	(20,707)
Trade receivables	(295,471)	194,426
Other financial assets and other assets	291,355	(21,832)
Trade and other payables, other financial liabilities and other liabilities	466,280	(579,327)
Provisions	35,631	107,901
Cash generated from operations	1,381,479	434,828
Taxes paid, net of refunds	(117,908)	(43,263)
Net cash flows from operating activities	1,263,571	391,565
Cash flows from investing activities:		
Investment in bank deposits	(10,628,000)	(2,974,000)
Proceeds from bank deposits	8,185,000	(=/0/000/
Disbursement of loan to related party	€	(35,000)
Proceeds from loan to related party	33,103	100,000
Interest received on loan to related party	16,897	19,132
Interest received from bank deposits	49,336	121
Purchase of property, plant and equipment	(245,099)	(64,382)
Proceeds from sale of property, plant and equipment	6,300	(* (/502/
Net cash used in investing activities	(2,582,463)	(2,954,250)
Net increase / (decrease) in cash and bank balances	(1,318,892)	(2,562,685)
Cash and bank balances at the beginning of the year	2,677,370	5,240,055
Cash and bank balances at the end of the year (Refer to Note 9)	1,358,478	2,677,370

See accompanying notes to the financial statements

Chartered Accountants 1-25

In terms of our report attached

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

JITENDRA AGARWAL

Partner

Place: Noida

Date: February 08, 2019

For and on behalf of the board of directors of R SYSTEMS, INC.

SATINDER SINGH REKHI

Director

Place: Singapore

1. General information

R Systems, Inc. (the 'Company') is a wholly owned subsidiary of R Systems International Limited (RSIL) a company incorporated in India. The Company was incorporated under the laws of the State of California on March 9, 1993.

The address of the registered office is 5000, Windplay Drive, Suite # 5, El Dorado Hills, Sacramento, California, USA, 95762.

The Company provides IT staffing and consulting services for customers primarily in USA geographies.

The financial statements were authorized for issuance by the Company's Board of Directors on February 08, 2019.

2. Summary of Significant Accounting Policies

a) Statement of compliance

The financial statements as at and for the year ended December 31, 2018 have been prepared in accordance with International Financial Reporting Standards and its interpretations ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

b) Basis of preparation

The financial statements have been prepared on a going concern basis.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an assets or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an assets or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17.

The principal accounting policies adopted by the Company are set out below.

c) Revenue recognition

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

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

(i) IT Staffing and consultancy services

The Company recognizes revenue from IT staffing and consultancy services over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company.





The output methods recognize revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative services promised under the contract.

(ii) Interest income

Interest income is recognized using the effective interest method.

d) Functional currency

The financial statements of the Company are presented in USD which is the currency of the primary economic environment in which the Company operates.

e) Foreign currencies

Transactions in currencies other than functional currency are recognised, on initial recognition, at exchange rates prevailing at the date of the transaction. At the balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss.

f) Taxation

The tax expense comprises the sum of the tax currently payable by the Company and deferred tax.

Current tax

Current taxes are based on the taxable profit for the year of the Company and are calculated according to local tax rules, using the tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.





Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

g) Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Gains or losses, arising from derecognition of an item of property, plant and equipment, are measured as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the statement of profit and loss when the item is derecognised.

Assets which are under construction and cost of assets not ready to use before the year end, are disclosed as capital work-in-progress.

The Company depreciates property, plant and equipment on a straight-line basis over the useful lives as estimated by the management. The residual values and useful lives are reviewed at each financial year end or whenever there are indicators for review, and adjusted prospectively.

The useful lives estimated by the management are as follows:

Leasehold property improvements:

7 years or period of lease, whichever is less

Property, plant and equipment:

- Electric installation	5 years
- Networking equipment's	5 years
- Furniture and fittings	7 years
- Computer hardware	3 years
- Vehicles	7 years
- Office equipment	5 vears

h) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at each balance sheet date, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The carrying value of intangible assets is reviewed for impairment on an annual basis for events or changes in circumstances that indicate that the carrying value may not be recoverable.

Amortisation is calculated so as to write off the cost of intangible assets over their estimated useful lives, using the straight line method, on the following bases:

- Softwares

Lower of Ilcense period or 3 years





i) Leasing

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases.

Company as lessee

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

j) Financial instruments

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

All financial instruments are recognised initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Loans and receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. Loans and other receivable with maturity greater than 12 months after the balance sheet date are classified as non-current assets.

Loans and other receivables are subsequently carried at amortised cost using the effective interest method.

Cash and bank balance comprise cash in hand and in banks and demand deposits with banks. For the purposes of the cash flow statement, cash and cash equivalents include cash in hand, in banks and demand deposits with banks with an original maturity of three months or less.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.



Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

k) Impairment

Financial assets

The Company recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables and accrued income. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

(ii) Definition of default

The Company considers that default has occurred when a financial asset is more than 120 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit Impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.





(iv) Write off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Non-financial assets

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

The recoverable amount of an asset or its cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset.

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

1) Provisions

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

Provisions are reviewed at each balance sheet date 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 recognized as a finance cost.





m) Employee benefits

a) Social security plans

Employer's Contributions payable to the social security plans, which are a defined contribution scheme, are charged to the statement of profit or loss in the year in which the employee renders services. The Company's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee.

b) Compensated absences

The employees of the Company are entitled for compensated absence. The employees can carry forward a portion of the unutilized accumulating compensated absence and utilize it in future years or receive cash at retirement or termination of employment.

The Company records an obligation for compensated absence in the year in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date. The Company recognizes accumulated compensated absence based on actuarial valuation. The Company recognizes actuarial gains and losses immediately in the statement of profit or loss. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

n) Critical accounting judgments and key sources estimation uncertainty

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences, management expertise and other contributing factors, the results which form the basis of making judgments about the carrying value of assets and liabilities that may not be readily apparent from other sources. Actual results may differ from these estimates.

Critical accounting judgments

The Company's major tax jurisdiction is USA. Significant judgments are involved in determining the provision for income taxes. (Also refer to note 20)

There are no other judgments that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

New and amended IFRS Standards that are effective for the current year

i. Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after January 1, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Company has elected not to restate comparatives in respect of the classification and measurement of financial instruments. Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- 3) General hedge accounting.





Details of these new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is January 1, 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. Comparative amounts in relation to instruments that continue to be recognised as at January 1, 2018 have not been restated.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

debt instruments that are held within a business model whose objective is both to collect the
contractual cash flows and to sell the debt instruments, and that have contractual cash flows that
are solely payments of principal and interest on the principal amount outstanding, are measured
subsequently at fair value through other comprehensive income (FVTOCI);

 all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Company did not have any debt investments that meets the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings. Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

b) Impairment of financial assets

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Chartered Accountants

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

- 1) Debt investments measured subsequently at amortised cost or at FVTOCI;
- 2) Lease receivables;
- 3) Trade receivables and unbilled revenue; and
- 4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit@impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, unbilled revenue and lease receivables in certain circumstances.

For the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. January 1, 2018), the Company has compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at January 1, 2017.

The application of the IFRS 9 impairment requirements has resulted in additional loss allowance to be recognised in year ended December 31, 2018 as the impact is not material.

c) Classification and measurement of financial liabilitles

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities as there are no financial liabilities designated at FVTPL.

d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Company's risk management activities have also been introduced.

The application of the IFRS 9 hedge accounting requirements has had no other impact on the results and financial position of the Company for the current and/or prior years as there are no hedge accounting within the Company.





e) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Company had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The application of IFRS 9 has had no impact on the cash flows of the Company.

ii. Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after January 1, 2018. IFRS 15 introduced a 5 step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non@disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. January 1, 2018.

IFRS 15 uses the terms 'contract asset' and 'contract llability' to describe what might more commonly be known as 'unbilled revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Company has not adopted the terminology used in IFRS 15 to describe such balances.

The Company's accounting policies for its revenue streams are disclosed in detail in note 2 above. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company.



New and revised IFRS in Issue but not yet effective

The Company has not yet applied the following new and revised IFRS that have been issued but are not yet effective:

New and revised IFRSs

Effective for annual periods <u>beainning on or</u> <u>after</u>

Annual Improvements to IFRS Standards 2015 - 2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.

January 1, 2019

IFRIC 23 Uncertainty over Income Tax Treatments

January 1, 2019

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively:
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

The effect of changes in facts and circumstances.

Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with January 1, 2019 negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

IFRS 16 Leases

January 1, 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 Leases

On January 13, 2016, the International Accounting Standards Board issued the final version of IFRS 16, Leases. IFRS 16 will replace the existing leases Standard, IAS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of comprehensive income. The Standard also contains enhanced disclosure requirements for lessees. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. The effective date for adoption of IFRS 16 is annual periods beginning on or after January 1, 2019, though early adoption is permitted for companies applying IFRS 15 Revenue from Contracts with Customers. The Company is currently evaluating the requirements of IFRS 16 and the impact on the financial statements. Further, the Company plans to adopt IFRS 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, i.e. January 01, 2019.

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments should have no material impact on the financial statements of the Company in the year of initial application.



R Systems, Inc. Notes to the financial statements for the year ended December 31, 2018

3. Property, plant and equipment

Particulars								
	Leasehold Improvements	Electric Installation	Networking Equipments	Furniture and fittings	Computer hardware	Vehicles	Office equipment	Total
At cost								
Gross carrying value								
As at January 1, 2017	121,084	26,820	357,680	188,885	935,235	292,257	76,042	1,998,003
Additions			55,981	•	8,126	,	275	64,382
Disposals	ât S	\\f	(14,905)	(34,467)	(531,247)	(69,018)	(23,640)	(673,277)
As at December 31, 2017	121,084	26,820	398,756	154,418	412,114	223,239	52,677	1,389,108
Additions		74	152,672	7	72,706	(3))	19,721	245,099
Disposals	. 1	•		*	į,	(22,000)	1)	(55,000)
As at December 31, 2018	121,084	26,820	551,428	154,418	484,820	168,239	72,398	1,579,207
Accumulated depreciation								
As at January 1, 2017	116,860	26,157	301,013	144,603	829,122	288,913	38,404	1,745,072
Charge for the year	2,986	699	25,455	14,854	44,466	3,344	23,246	115,015
Disposals	(10)		(14,905)	(34,467)	(531,246)	(810'69)	(23,640)	(673,276)
As at December 31, 2017	119,846	26,820	311,563	124,990	342,342	223,239	38,010	1,186,811
Charge for the year	527	-15	45,987	12,575	53,483		11,053	123,625
Disposals		•)#	U.		(55,000)	1.1	(55,000)
As at December 31, 2018	120,373	26,820	357,550	137,565	395,825	168,239	49,063	1,255,436
Net carrying value								
As at December 31, 2017	1,238	(0)	87,193	29,428	69,772	1	14,667	202,297
As at December 31, 2018	711	(0)	193,878	16,853	88,995	٠	23,335	323,771





4. Intangible assets

(Amount in USD)

Particulars	Softwares
At cost	
Gross carrying value	
As at January 1, 2017	334,711
Additions	
Disposals	(46,598)
As at December 31, 2017	288,113
Additions	-
Disposals	
As at December 31, 2018	288,113
· ·	
Accumulated amortization	
As at January 1, 2017	322,190
Charge for the year	7,518
Disposals	(46,598)
As at December 31, 2017	283,110
Charge for the year	5,003
Disposals	-
As at December 31, 2018	288,113
Net carrying value	•
As at December 31, 2017	5,003
As at December 31, 2018	-

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5 Deferred tax assets (net)

			(Amount in USD)
Particulars		As at December 31, 2018	As at December 31, 2017
Deferred tax assets		178,786	409,836
Deferred tax liabilities		(37,811)	.02,000
Deferred tax asset (net)		140,975	409,836
2018	Opening balance	Recognised in profit or loss	Closing balance
Deferred tax asset / (liability) in relation to			
Provision for compensated absences	205,626	(51,187)	154,439
Provision for doubtful debts	16,894	7,453	24,347
Brought forward business losses	53,449	(53,449)	= 1,5 11
Total	275,969	(97,183)	178,786
Deferred tax liability in relation to			
Property, plant and equipment	133,867	(171,678)	(37,811)
Total	133,867	(171,678)	(37,811)
Deferred tax asset (net)	409,836	(268,861)	140,975
2017	Opening balance	Recognised in profit or	Closing balance
Deferred tax asset in relation to			
Property, plant and equipment	159,682	(25,815)	133,867
Provision for compensated absences	162,649	42,977	205,626
Provision for doubtful debts	194,273	(177,379)	16,894
Brought forward business losses	158,939	(105,490)	53,449
Total	675,543	(265,707)	409,836

6. Other financial assets (carried at amortised cost)

(Amount in USD)

	(Amount in OSD)
As at	As at
December 31, 2018	December 31, 2017
92,960	481,060
310,837	343,940
249,000	52
175,489	87,212
38,309	34,893
1,200	1,429
41,111	4,605
3,546	
912,451	953,139
249,000	
663,451	953,139
912,451	953,139
	92,960 310,837 249,000 175,488 38,309 1,200 41,111 3,546 912,451

7. Other current assets

				(Amount in USD)
	Particulars		As at	As at
			December 31, 2018	December 31, 2017
Prepaid expenses		1	245,904	244,167
			245,904	244,167
Non-current			30,568	1,771
Current		GTEMS	215,336	242,396
		12	245,904	244,167
		11/0/0		





8. Trade receivables

		(Amount in USD)
Particulars	As at	As at
	December 31, 2018	December 31, 2017
Unsecured, considered good	3,484,446	3,233,558
Credit impaired	87,000	42,418
Less: Provision for doubtful debts	(87,000)	(42,418)
	3,484,446	3,233,558

Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms. They are recognised at their original invoice amounts, which represents their fair values on initial recognition.

The Company assesses at the end of each reporting period whether there is objective evidence that trade receivables are impaired.

An allowance for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is recognised in the profit or loss.

Movement of provision for doubtful debts

	For the year ended December 31, 2018	For the year ended December 31, 2017
Balance at beginning of year	42,418	487,757
Amount written off against receivables		(376,700)
Charge for the year	54,582	10,338
Reversal for the year	(10,000)	(78,977)
Balance at end of the year	87,000	42,418
Age of impaired trade receivables		
	As at	As at
91 to 180 days	December 31, 2018	December 31, 2017
91 to 180 days	2,832	5
181+ days	84,168	42,418
	87,000	42,418

Receivables that are past due but not impaired

The Company have trade receivables amounting to USD 1,449,628 (previous year USD 1,441,392) respectively that is past due at the end of reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of reporting period is as follow:

	As at December 31, 2018	As at December 31, 2017	
0-60 days	1,337,880	1,239,988	
61-90 days	65,748	64,325	
91 to 180 days	39,342	9,921	
181+ days	6,658	127,158	
	1,449,628	1,441,392	

The Company uses a provision matrix to determine impairment loss on portfolio of its trade receivable. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward-looking estimates. At every reporting date, the historically observed default rates are updated and changes in forward-looking estimates are analysed. The Company estimates the following matrix at the reporting date.

Ageing	Default rate *
Not due	0.01%
0-90 days	0.02%
90-180 days	0.27%
180-365 days	0.58%
More than 365 days	2.00%

^{*} In case of probability of non-collection, default rate is 100%.





9. Cash and bank balances

For the purposes of statement of cash flow, cash and bank balances include cash on hand and in banks. Cash and bank balances at the end of the financial year as shown in the statement of cash flow can be reconciled to the related items in the statement of financial position as follows:

(Amount in USD)

		(
Particulars	As at	As at
	December 31, 2018	December 31, 2017
Balances with banks		
(i) In current accounts	1,358,478	2,677,370
(ii) In deposit accounts	5,417,000	2,974,000
•	6,775,478	5,651,370
Less: Bank deposit with original maturity for more than 12 months (refer to Note 6)	(249,000)	
Cash and bank balances	6,526,478	5,651,370
Less: Bank deposit with original maturity for more than 3 months but less than 12 months	(5,168,000)	(2,974,000)
Cash and bank balances for the purpose of cash flow	1,358,478	2,677,370

10. Share capital

(Amount in USD)

		(Amount in ODD)
Particulars	As at	As at
	December 31, 2018	December 31, 2017
Common stock		
Authorised		
5,000 (Previous year 5,000) common stock at "no par value"	*	
the state of the s		72
Issued, subscribed and fully paid up		
2,150 (Previous year 2,150) common stock at "no par value"	1,537,401	1,537,401
	1,537,401	1,537,401

Notes:

The Company has only one class of ordinary shares. Each holder of ordinary share is entitled to one vote per share and carry a right to dividends.

11. Retained earnings

(Amount in USD)

		(Amount in GDD)
Particulars	As at	As at
	December 31, 2018	December 31, 2017
Opening balance	7,554,231	7,214,594
Add: Profit for the year	364,644	339,637
Total	7,918,875	7,554,231

Retained earnings comprises the Company's prior years' undistributed earnings after taxes.

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12. Trade and other payables

		(Amount in USD)
Particulars	As at	As at
	December 31, 2018	December 31, 2017
Trade and other payables	1,525,639	1,012,112
	1,525,639	1,012,112

Trade and other payables are non-interest bearing and trade payables are normally settled on 30 to 60 days' terms.

13. Provisions

		(Amount in USD)
Particulars	As at	As at
	December 31, 2018	December 31, 2017
Provision for compensated absences	551,890	516,259
	551,890	516,259
Non-current		-
Current	551,890	516,259
	551,890	516,259

14. Other financial liabilities

		(Amount in USD)
Particulars	As at	As at
	December 31, 2018	December 31, 2017
Payable to related parties	7,988	58,577
	7,988	58,577
Non-current		¥1
Current	7,988	58,577

15. Other liabilities

(Amount in USD)

58,577

7,988

	(······/
As at	As at
December 31, 2018	December 31, 2017
13,678	11,753
4,650	2
19,817	12
38,145	11,753
=	=
38,145	11,753
38,145	11,753
	December 31, 2018 13,678 4,650 19,817 38,145

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16. Revenue

2		(Amount in USD)
Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Rendering of services	23,544,151	20,801,105
	23,544,151	20,801,105

Information about major customers:

For the years ended December 31, 2018 and 2017, the largest customer constitute 13.40% and 16.01% of total revenues, respectively.

17. Other income

(Amount in USD)

		(Allount III 030)
Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Interest income on financial assets at amortised cost		
- Bank deposit	85,842	4,605
- Others	16,897	19,132
Reversal of provision for doubtful debts and advances (net)		68,639
Liability no longer required written back	23,050	96,944
Profit on sale of fixed assets	6,300	*
Amount received on settlement with customer	:=:	129,675
Miscellaneous income		26,024
	132,089	345,019

18. Depreciation and amortisation expense

(Amount in USD)

,		(Alliount III OSD)
Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Depreciation on property, plant and equipment	123,625	115,015
Amortization of intangible assets	5,003	7,518
	128,628	122,533

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19. Expenses by nature

	_		
(Am	iount	ın	USDI

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Employee benefits (See note 1 below)	13,165,128	12,742,552
Sub-contracting expenses (See note 2 below)	7,158,969	5,499,244
Power and fuel	4,870	5,839
Rent - premises	154,263	148,04
Rent - equipments	7,908	7,470
Rates and taxes	45,858	33,15
Insurance	47,242	64,676
Repair and maintenance	132,387	143,568
Advertising and sales promotion	233,824	159,346
Travelling and conveyance (See note 3 below)	946,670	821,633
Communication costs	59,144	54,892
Printing and stationery	3,925	3,180
Legal and professional fees	594,797	486,957
Auditors' remuneration	18,202	26,090
Foreign exchange fluctuation (net)	2,335	4,763
Provision for doubtful debts and advances (net)	44,583	
Recruitment and training expenses	68,812	114,394
Membership and subscription	43,238	83,735
Bank charges	17,172	15,653
Miscellaneous expenses	1,823	1,844
	22,751,150	20,417,032
Note 1: Employee benefits		
Salaries and wages	11,799,770	11,178,560
Contribution towards 401K plan	35,022	24,493
Staff welfare expense	1,330,336	1,539,499
	13,165,128	12,742,552
The employee benefits are recognized in the following line	items in the statement of n	ofit or loss:
Cost of revenues	11,329,937	11,270,415
Selling, general and administrative expenses	1,835,191	1,472,137
,	13,165,128	12,742,552
Note 2: Sub-contracting expenses		
Outsourcing expenses third party	4,397,838	2 767 006
Outsourcing expenses from fellow subsidiary	2,378,739	3,267,806
Outsourcing expenses from Holding company	382,392	1,627,267
substituting expenses from Holding company	7,158,969	604,171 5,499,244
Maria Maria and a same	ng line items in th e stat eme	•
Cost of revenues	6,847,377	5,222,273
The Sub-contracting expenses are recognized in the followi Cost of revenues Selling, general and administrative expenses	6,847,377 311,592	5,222,273 276,971

Travelling and conveyance expenses are recognized in the following line items in the statement of profit or loss:

Cost of revenues
Selling, general and administrative expenses

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946,670	821,633
710,637	600,633
236,033	221,000

Total expenses (A+B)	22,751,150	20,417,032
	4,337,803	3,703,344
Others	1,480,383	1,353,604
Travelling and conveyance	710,637	600,633
Sub-contracting expenses	311,592	276,971
Employee benefits	1,835,191	1,472,137
Selling, general and administrative expenses (B)		
	18,413,347	16,713,688
Travelling and conveyance	236,033	221,000
Sub-contracting expenses	6,847,377	5,222,273
Employee benefits	11,329,937	11,270,415
Cost of revenues (A)		
Note 4: Break up of expenses		

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20. Taxation

The provision for income taxes for the years ended December 31, 2018 and 2017 consisted of the following:

(Amount in USD)

		(**************************************
Particulars	For the year ended	For the year ended
Components of income tax expense	December 31, 2018	December 31, 2017
Current income tax expense		
In respect of the current year	138,000	1,215
In respect of the prior periods	24,957	1,210
Deferred tax	= 1,507	
In respect of the current year	219,978	228,976
In respect of the prior periods	48,883	36,731
Income tax (credit)/expense reported in income statement	431,818	266,922
Reconciliation of income tax charge to accounting prof	it:	
Profit before tax	796,462	606,559
Effective income tax rate in USA	27.98%	39.83%
Expected tax expense	222,850	241,592
Adjustment of current tax of prior periods	24,957	= . = , ₹ ₹ ₹
Expenses that are not deductible in determining taxable income	4,617	*
Impact of reduction in federal income tax rate on deferred tax assets	96,770	¥
Provision for prior years for deferred tax	48,883	36,731
Tax provision due to state filings	17,556	50,731
Others (net)	16,184	(11,401)
	431,818	266,922

Break up of effective tax rate

Particulars	For the year ended	For the year ended
	December 31, 2018	December 31, 2017
Federal statutory rate*	21.00%	34.00%
State tax rate, net of federal benefit	6.98%	5.83%
Effective income tax rate	27.98%	39.83%

The Company files combined tax return along with its fellow subsidiary R Systems Technologies Ltd ("RSTL"). In the combined tax return, the tax payable by RSTL is adjusted with the operating losses available at R Systems, Inc. ("RSI") for the purposes of Federal income tax.

*W.e.f January 01, 2018, federal tax rate has changed from 34% to 21%.

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21. Financial Instruments and risk management

a) Categories of financial instruments

The Company has the following categories of financial instruments, measured at amortised cost, at the balance sheet date:

		(Amount In USD)
	As at	As at
	December 31, 2018	December 31, 2017
Financial assets	9	
Trade receivables	3,484,446	3,233,558
Cash and bank balances	6,526,478	5,651,370
Other financial assets	912,451	953,139
	10,923,375	9,838,067
Financial liabilities		
Trade and other payables	1,525,639	1,012,112
Other financial liabilities	7,988	58,577
	1,533,627	1,070,689

b) Capital risk management

The Company aims to manage its overall capital so as to ensure the Company continues to operate as a going concern, whilst providing an adequate return to shareholders.

The Company's overall strategy remains unchanged for 2018 and it is not subject to externally imposed capital requirements.

The Company's capital structure represents the equity attributable to shareholders of the company together with cash and bank balances as follows:

	(Amount in USD)
As at	As at
December 31, 2018	December 31, 2017
6,526,478	5,651,370
6,526,478	5,651,370
9,456,276	9,091,632
9,456,276	9,091,632
2,929,798	3,440,262
	9,456,276

c) Risk management objectives

The Board of Directors of the Company charged with the overall responsibility of establishing and monitoring the Company's risk management policies and processes. The Company's risk management policies and processes are determined in order to identify, analyse and monitor the risks that are faced by the Company.

The principal risks to which the Company is exposed are market risk including currency risk, price risk and interest rate risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes in the values of financial instruments may result from changes in the foreign currency exchange rate, prices and interest rates.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company has limited exposure to movements in foreign currency exchange rates arising from normal trading transactions. Therefore, the risk associated with the movement of foreign exchange rates has no significant impact on the Company.





Interest rate risk

The Company has very limited exposure to interest rate risk as it has no interest bearing borrowings/ investments.

Credit risk

Credit risk is the risk that a counter-party will cause a financial loss to the Company by failing to discharge its obligation to the Company.

The Company trades only with recognised, credit worthy customers. All customers who wish to trade on credit are subject to credit verification reviews. Customer balances are reviewed regularly to ensure that the risk of exposure to bad debts is minimised.

The maximum exposure to credit risk for trade and other receivables, bank balances and other financial assets is represented by their carrying amount.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment.

The following table gives details in respect of revenues generated from top customer and top 5 customers:

(Amount in USD)

Particulars	For the year ended December 31, 2018	For the year ended December 31, 2017
Revenue from top customer	3,156,036	3,331,043
Revenue from top 5 customers	7,824,334	8,839,312

One customer accounted for more than 10% of the revenue during year ended December 31, 2018 and December 31, 2017. One customer accounted for more than 10% of the receivables for the year ended December 31, 2018 and December 31, 2017.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company has given responsibility of liquidity risk management to the Board of Directors who have formulated liquidity management tools to service this requirement.

Management of liquidity risk is achieved by monitoring budgets and forecasts and actual cash flows. In addition, the Company benefits from strong cash flow from its normal trading activities.

At the balance sheet date, the Company had no bank loans and borrowings or finance lease liabilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

(Amount in USD)

Particulars	As at	As at
	December 31, 2018	December 31, 2017
Less than 1 year		
Trade and other payables	1,525,639	1,012,112
Other financial liabilities	7,988	58,577
	1,533,627	1,070,689

d) Fair values

The Board of Directors consider that the carrying values of all the Company's financial assets and liabilities approximate their fair values as at the balance sheet dates.

The Company does not hold any financial instruments that are classified as at fair value through profit or loss or available for sale and therefore are measured at fair value.



22. Related party disclosures

Names of related parties Parent entity

Fellow subsidiaries

R Systems International Limited, India

Following are the subsidiaries of R Systems International Limited, India

R Systems (Singapore) Pte Ltd, Singapore

R Systems Technologies Limited, USA

ECnet Ltd, Singapore

Computaris International Limited, U.K.

RSYS Technologies Limited, Canada

Following are the subsidiaries of ECnet Ltd, Singapore

- ECnet (M) Sdn Bhd, Malaysia
- ECnet Systems (Thailand) Co. Ltd., Thailand
- ECnet (Shanghai) Co. Ltd., People's Republic of China
- ECnet (Hong Kong) Ltd., Hong Kong
- ECnet, Inc., USA
- ECnet Kabushiki Kaisha, Japan

Following are the subsidiaries of Computaris International Limited, U.K.

- Computaris Romania Srl, Romania
- Computaris Polska sp z o.o., Poland
- ICS Computaris International Srl, Moldova
- Computaris Malaysia Sdn. Bhd., Malaysia
- Computaris USA, Inc., USA (liquidated on October 22, 2018)
- Computaris Philippines Pte. Ltd. Inc., Phillippines
- Computaris Suisse Sarl (incorporated on April 27, 2018)

Following are the subsidiaries of R Systems (Singapore) Pte Ltd, Singapore

IBIZ Consulting Pte. Ltd., Singapore (formerly known as IBIZCS Group Pte Ltd) with the following step down subsidiaries:

- IBIZ Consulting Services Pte Ltd, Singapore
- IBIZ Consulting Services Sdn. Bhd., Malaysia
- PT. IBIZCS Indonesia., Indonesia
- IBIZ Consultancy Services India Private Limited, India
- IBIZ Consulting Services Limited, Hong Kong (IBIZ HK)
 - IBIZ Consulting Services (Shanghai) Co., Ltd., People's Republic of China (wholly owned subsidiary of IBIZ HK)

Names of other related parties with whom transactions have taken place during the year:

Key management personnel

Satinder Singh Rekhi, Director Harpreet Rekhi, Director Sartaj Singh Rekhi, Director Vinay Narjit Singh Behl, Director

Relatives of key management personnel

Ramneet Singh Rekhi, Vice President (related to Satinder Singh Rekhi)





Chartered Accountants

ii) Details of transactions with related parties for the year ended December 31, 2018 and December 31, 2017:

Particulars	For the year ended	(Amount in USD) For the year ended
	December 31, 2018	December 31, 2017
Information technology services rendered to		
Computaris USA, Inc., USA	360,097	1,696,677
Computaris International Limited, U.K.	1,044,595	•
Total	1,404,692	1,696,677
Information technology services received from		
R Systems International Limited, India	70,800	327,200
R Systems Technologies Ltd., USA	2,378,739	1,627,267
RSYS Technologies Ltd., Canada	41,607	43,940
Total	2,491,146	1,998,407
Off-shore support services received from		
R Systems International Limited, India	222.600	
Total	338,688	301,056
Total	338,688	301,056
Loan given to		
R Systems Technologies Ltd., USA	2	35,000
Total		35,000
Loan repaid by	.0	
R Systems Technologies Ltd., USA	22.400	
Total	33,103	100,000
- V- CO	33,103	100,000
Interest income		
R Systems Technologies Ltd., USA	16,897	19,132
Total	16,897	19,132
Purchase of assets	1	
Computaris USA, Inc., USA	11 350	
Total	11,350 11,350	
	11,350	<u> </u>
Travel & other expenses reimbursed by the company to		
RSYS Technologies Ltd., Canada	50,074	36,950
R Systems Technologies Ltd., USA	30,011	15,385
R Systems International Limited, India	228,869	101,943
ECnet Ltd, Singapore	26,040	21,359
Total	304,983	175,637
		175,007
Travel & other expenses reimbursed to the company by		
R Systems Technologies Ltd., USA	33,895	31,254
R Systems International Limited, India	552,404	614,189
Computaris International Limited, U.K.	19,516	유
Computaris USA, Inc., USA	11,138	58,296
Total	616,953	703,739
Other services		
	101.192	125,665
/inay Narjit Singh Behl	101,192 101.192	125,665 125,665
/inay Narjit Singh Behl Fotal	101,192 101,192	125,665 125,665
/Inay Narjit Singh Behl Fotal Remuneration	101,192	125,665
/Inay Narjit Singh Behl Fotal Remuneration Short term employee benefit	101,192 300,714	125,665 236,188
/Inay Narjit Singh Behl Fotal Remuneration Short term employee benefit Other long term employee benefit	300,714 (1,776)	236,188 (3,680)
Vinay Narjit Singh Behl Fotal Remuneration Short term employee benefit Other long term employee benefit	101,192 300,714	125,665 236,188
Vinay Narjit Singh Behl Fotal Remuneration Short term employee benefit Other long term employee benefit Fotal	300,714 (1,776)	236,188 (3,680)
Other services Vinay Narjit Singh Behl Total Remuneration Short term employee benefit Other long term employee benefit Total Rent Satinder Singh Rekhi	300,714 (1,776)	236,188 (3,680)

iii) Details of balances of related parties as at December 31, 2018 and December 31, 2017:

		(Amount in USD)
Particulars	As at December 31, 2018	As at December 31, 2017
Trade receivable	2000.101.71, 2010	P444111001 027 2027
Computaris USA, Inc., USA	-	391,978
Computaris International Limited, U.K.	118,528	***
Total	118,528	391,978
Frade payable	-	
RSYS Technologies Ltd., Canada	5,918	7,705
R Systems International Limited, India	4,000	25,600
R Systems Technologies Ltd., USA.	176,202	88,113
/inay Narjit Singh Behl	55,549	83,260
Total .	241,669	204,678
oan given to		
Systems Technologies Ltd., USA*	310,837	343,940
'otal	310,837	343,940
The loan bears interest at 5% per annum and is repayind 2017 was USD 356,999 and USD 419,919 respective		outstanding during 2018
Other receivables		
RSYS Technologies Ltd., Canada	712	454,544
l Systems International Limited, India	82,166	-
Computaris International Limited, U.K.	1,298	-
Systems Technologies Ltd., USA.	8,784	-
Computaris USA, Inc., USA		26,516
Cotal Cotal	92,960	481,060
Other financial liabilities		
Systems International Limited, India	*	33,300
ECNet Ltd., Singapore	7,988	25,277
Fotal Control of the	7,988	58,577

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23. Operating lease commitments

The Company has entered into commercial leases on office & apartment premises and equipment rental. These leases have an average life of between 1 and 5 years with no renewal option or contingent rent provision included in the contracts. There are no restriction placed upon the Company by entering into these leases.

Payments recognised as an expense

(Amount in USD)

Particulars	For the year ended December 31, 2018	For the year ended December 31, 2017
Lease payments for the year	162,171	155,515
Total	162,171	155,515

Future minimum lease payments payable under non-cancellable leases as at year-end are as follows:

(Amount in USD)

(Finite Life III COD)	
For the year ended	For the year ended
December 31, 2018	December 31, 2017
49,968	27,854
31,267	**
81,235	27,854
	December 31, 2018 49,968 31,267

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24. Employee Benefit

The Company has calculated the benefits provided to employees as under:

A. Defined contribution plans

The Company contibutes to a defined contribution retirement scheme, qualified under Section 401(k) of the Internal Revenue Code, for certain eligible employees. Pursuant to the scheme, eligible employees may contribute a portion of their compensation, subject to a maximum amount per year as specified by law. The Company provides a matching contribution based on specified percentages of amounts contributed by participants. In addition to the matching contributions, the Company, at its discretion, can provide profit-sharing contributions. During the years ended December 31, 2018 and 2017 there were no discretionary contributions made.

During the year the Company has recognised the following amounts in the statement of profit and loss:

(Amount in USD)

Particulars	For the year ended December 31, 2018	For the year ended December 31, 2017
401(k) contribution	35,022	24,493

B. Compensated absences

Compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

(Amount in USD)

Particulars	December 31, 2018	December 31, 2017
Discount rate(s)*	3.65%	2.20%
Rate of increase in compensation level	3.50%	3.50%
Average Expected Future Working life (Years)	3.93	3.92

*Discount rate

Under IAS 19 R the discount rate is deteremined by reference to market yields at the end of the reporting period on high quality corporate bonds (or, in countries where there is no deep market in such bonds, government bonds) of a currency and term consistent with the currency and term of the post-employment benefit obligations.

Components of expenses recognised in the statement of profit or loss in respect of:

(Amount in USD)

	(Alliount in OSD)
For the year ended	For the year ended
December 31, 2018	December 31, 2017
200,588	206,430
₩	171
*	
9,876	6,923
(135,233)	(55,509)
75,231	157,844
	200,588 9,876 (135,233)

The amount included in the balance sheet arising from the entity's obligation in respect of compensated absence is as follows:

(Amount in USD)

		(Alliount III 000)
Particulars	As at	As at
	December 31, 2018	December 31, 2017
Present value of obligation	551,890	516,259
Fair value of plan assets	=	
Deficit/ (Surplus)	551,890	516,259
Effects of asset ceilling, if any	□	373
Net liability / (asset)	551,890	516,259





Movement in the present value of obligation for accumulated compensated absences is as follows:

(Amount in USD) **Particulars** For the year ended For the year ended December 31, 2018 December 31, 2017 Present value of obligation as at the beginning 516,259 408,358 Current service cost 206,430 200,588 Interest expense or cost 9,876 6,923 Remesaurement (or actuarial) (gain) / loss arising from: - change in financial assumptions (26,575)(4,330)- experence variance (108,659)(51,178)Benefits paid (39,600)(49,944)Present value of obligation as at the end 551,889 516,259

Significant actuarial assumption for the determination of defined obligation are discount rate and expected salary increase. The sensitivity analysis below have ben determined based on reasonably possible changes in respective assumption occurring at the end of reporting period, while holding all other assumptions constant.

Sensitivity analysis

The sensitivity analysis presented below may not be reprentative of the actual change in the obligation for compensated absence as it unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

(Amount in USD)

Particulars	As at	As at
	December 31, 2018	December 31, 2017
Discount rate		
a. Discount rate - 50 basis points	560,739	525,001
b. Discount rate + 50 basis points	543,352	507,836
Salary increase rate		
a. Rate - 50 basis points	543,299	508,349
b. Rate + 50 basis points	560,236	524,827

25. Subsequent events

- a) Subsequent to the year ended December 31, 2018, R Systems, Inc. has completed the acquisition of 100% interest in Innovizant LLC, (Innovizant), a Chicago (USA) based company engaged in providing IT Services focused on advanced analytics, data engineering, and digital connected systems.
- b) Other than above, the Company evaluated subsequent events for potential recognition and disclosure through February 08, 2019, the date the financial statements were issued.

Chartered Accountants

For and on behalf of the board of directors of R SYSTEMS, INC.

SATINDER SINGH REKHI

Director

Place: Singapore

Deloitte Haskins & Sells LLP

Chartered Accountants
7th Floor, Building 10, Tower B
DLF Cyber City Complex
DLF City Phase - It
Gurugram - 122 002
Haryana, India

Tel: +91 124 679 2000 Fax: +91 124 679 2012

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INDEPENDENT AUDITOR'S REPORT To The Board of Directors of R SYSTEMS TECHNOLOGIES LIMITED Report on the Financial Statements

We have audited the accompanying financial statements of **R SYSTEMS TECHNOLOGIES LIMITED** ("the Company"), which comprise the Statement of Financial Position as at December 31, 2018, and the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This responsibility also includes maintenance of adequate accounting records, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation and presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimate made by the management, as well as evaluating the overall presentation of the financial statements.

Deloitte Haskins & Sells LLP

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the aforesaid accounting principles, of the state of affairs of the Company as at December 31, 2018, its profit, total comprehensive income, its cash flows and changes in equity for the year ended on that date.

For **DELOITTE HASKINS & SELLS LLP**

Chartered Accountants (Firm's Registration No. 117366W/W-100018)

askins

Chartered Accountants

JITENDRA AGARWAL

Partner

(Membership No. 87104)

Place: Noida

Notes	As at	(Amount in USD)
	December 31, 2018	December 31, 2017
3	(46)	=
-		7#
4	176.202	88,113
5		42,409
6		500
7	31	300
((==	208,951	131,022
_	208,951	131,022
8	243,750	243,750
9	(372,958)	(462,764)
:	(129,208)	(219,014)
	e	
10	2,538	5,809
11	310,837	343,940
12	8,784	
	16,000	287
_	338,159	350,036
<u>-</u>	208,951	131,022
2		
۷.		
1-21		
	3 4 5 6 7 8 9 —	Becember 31, 2018 3 4 176,202 5 26,163 6 6,555 7 31 208,951 208,951 208,951 10 2,538 11 310,837 12 8,784 16,000 338,159 208,951

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

In terms of our report attached

Chartered Accountants

JITENDRA AGARWAL

Partner

Place: Noida

Date: February 08, 2019

For and on behalf of the board of directors R SYSTEMS TECHNOLOGIES LIMITED

8 Marin

SATINDER SINGH REKHI

Director

Place: Singapore

			(Amount in USD)
Particulars	Notes	Year ended December 31, 2018	Year ended December 31, 2017
Revenue from operations	13	2,378,739	1,627,267
Cost of revenues	14	(2,203,174)	(1,549,778)
Gross profit	-	175,565	77,489
Selling general and administrative expenses	15	(40,919)	(35,854)
Finance Cost	16	(16,897)	(19,132)
Profit before tax	5	117,749	22,503
Income tax expense	17 se	(27,943)	(4,217)
Profit after tax	5	89,806	18,286
Other comprehensive income		(≨	(=
Total comprehensive income for the year	-	89,806	18,286
Summary of significant accounting policies	2		
See accompanying notes to the financial statements	1-21		

For DELOITTE HASKINS & SELLS LLP

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Chartered Accountants

In terms of our report attached

Chartered Accountants

JITENDRA AGARWAL

Partner

Place: Noida

Date: February 08, 2019

For and on behalf of the board of directors R SYSTEMS TECHNOLOGIES LIMITED

1

SATINDER SINGH REKHI

Director

Place: Singapore

		(Amount in USD)
Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Cash flows from operating activities:		
Profit after tax	89,806	18,286
Adjustments for:		
Income tax expense	27,943	4,217
Interest expense	16,897	19, 1 32
Changes in operating assets and liabilities:		
Trade receivables	(88,089)	22,734
Other financial assets and other current assets	(6,086)	(B)
Trade and other payables, and other financial liabilities	5,513	4, 1 19
Cash generated from operations	45,984	68,488
Taxes paid, net of refunds	(12,230)	(513)
Net cash flows from operating activities	33,754	67,975
Cash flows from financing activities:		
Receipt of short term borrowings	*	35,000
Repayment of short term borrowings	(33,103)	(100,000)
Interest paid	(16,897)	(19,132)
Net cash flows used in financing activities	(50,000)	(84,132)
Cash flows from investing activities:	*	:=:
Net cash flows from investing activities	(#)	-
Net increase/ (decrease) in cash and bank balances	(16,246)	(16,157)
Cash and bank balances at the beginning of the year	42,409	58,566
Cash and bank balances at the end of the year	26,163	42,409

See accompanying notes to the financial statements In terms of our report attached

Chartered

Accountants

1-21

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

JITENDRA AGARWAL

Partner

Place: Noida

Date: February 08, 2019

For and on behalf of the board of directors R SYSTEMS TECHNOLOGIES LIMITED

& Mann

SATINDER SINGH REKHI

Director

Place: Singapore

R Systems Technologies Limited

Statement of Changes in Equity as at December 31, 2018

			(Amount in USD)
Particulars	Share capital	Retained earnings	Total
Balance at January 1 2017	243,750	(481,050)	(237,300)
Changes in ordinary shares during the year	%)	20	
Profit for the year	*	18,286	18,286
Balance at December 31, 2017	243,750	(462,764)	(219,014)
Changes in ordinary shares during the year			
Profit for the year		89,806	89,806
Balance at December 31, 2018	243,750	(372,958)	(129,208)

See accompanying notes to the financial statements 1-21

In terms of our report attached.

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

JITENDRA AGARWAL

Partner

Place: Noida

Date: February 08, 2019

For and on behalf of the board of directors R SYSTEMS TECHNOLOGIES LIMITED

SATINDER SINGH REKHI

Director

Place: Singapore

1. General information

R Systems Technologies Limited (the 'Company') is a wholly owned subsidiary of R Systems International Limited (RSIL) a company incorporated in India. The Company was incorporated under the laws of the State of Delaware on November 6, 1996.

The address of the registered office is 5000, Windplay Drive, Suite # 5, El Dorado Hills, Sacramento, California, USA, 95762.

The Company provides IT staffing and consulting services for customers primarily in USA geographies.

The financial statements were authorized for issuance by the Company's Board of Directors on February 08, 2019.

2. Summary of Significant Accounting Policies

a) Statement of compliance

The financial statements as at and for the year ended December 31, 2018 have been prepared in accordance with International Financial Reporting Standards and its interpretations ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

b) Basis of preparation

The financial statements have been prepared on a going concern basis.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an assets or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an assets or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

The principal accounting policies adopted by the Company are set out below.

c) Revenue recognition

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

Revenue is recognized when the Company satisfies a performance obligation by transferring a promised 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 recognized is the amount allocated to the satisfied performance obligation.

Consultancy & IT staffing services

The Company recognizes revenue from consultancy and IT staffing services over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. The output methods





recognize revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative services promised under the contract.

d) Functional currency

The financial statements of the Company are presented in USD which is the currency of the primary economic environment in which the Company operates.

e) Foreign currencies

Transactions in currencies other than functional currency are recognised, on initial recognition, at exchange rates prevailing at the date of the transaction. At the balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss.

f) Taxation

The tax expense comprises the sum of the tax currently payable by the Company and deferred tax.

Current tax

Current taxes are based on the taxable profit for the year of the Company and are calculated according to local tax rules, using the tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

g) Financial instruments

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





All financial instruments are recognised initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Cash and bank balance comprise cash in hand and in banks and demand deposits with banks. For the purposes of the cash flow statement, cash and cash equivalents include cash in hand, in banks and demand deposits with banks with an original maturity of three months or less.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.



h) Impairment

Financial assets

The Company recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(I) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic Information that relate to the Company's core operations.

(ii) Definition of default

The Company considers that default has occurred when a financial asset is more than 120 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

(iv) Write off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.





Non-financial assets

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

The recoverable amount of an asset or its cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset.

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

i) Provisions

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

Provisions are reviewed at each balance sheet date 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 recognized as a finance cost.

j) Critical accounting judgments and key sources estimation uncertainty

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences, management expertise and other contributing factors, the results which form the basis of making judgments about the carrying value of assets and liabilities that may not be readily apparent from other sources. Actual results may differ from these estimates.

Critical accounting judgments

The Company's major tax jurisdiction is USA. Significant judgments are involved in determining the provision for income taxes. (Also refer to note 17)

There are no other judgments that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.





k) New and amended IFRS Standards that are effective for the current year

i. Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after January 1, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Company has elected not to restate comparatives in respect of the classification and measurement of financial instruments. Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is January 1, 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. Comparative amounts in relation to instruments that continue to be recognised as at January 1, 2018 have not been restated.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- * all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

 the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

 the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.



In the current year, the Company did not have any debt investments that meets the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings. Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

- 1) Debt investments measured subsequently at amortised cost or at FVTOCI;
- 2) Lease receivables;
- 3) Trade receivables and unbilled revenue; and
- 4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit@impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12@months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, unbilled revenue and lease receivables in certain circumstances.

For the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. January 1, 2018), the Company has compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at January 1, 2017.

The application of the IFRS 9 impairment requirements has not resulted in additional loss allowance to be recognised in year ended December 31, 2018 as the impact is not material.

c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

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The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities as there are no financial liabilities designated at FVTPL.

d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Company's risk management activities have also been introduced.

The application of the IFRS 9 hedge accounting requirements has had no other impact on the results and financial position of the Company for the current and/or prior years as there are no hedge accounting within the Company.

e) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Company had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The application of IFRS 9 has had no impact on the cash flows of the Company.

ii. Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after January 1, 2018. IFRS 15 introduced a 5 step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both nonEdisclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. January 1, 2018.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'unbilled revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Company has not adopted the terminology used in IFRS 15 to describe such balances.

The Company's accounting policies for its revenue streams are disclosed in detail in note 2 above. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company.





I) New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRS that have been issued but are not yet effective:

New and revised IFRSs

Effective for annual periods beginning on or after

Annual Improvements to IFRS Standards 2015 - 2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.

January 1, 2019

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

January 1, 2019

Whether tax treatments should be considered collectively;

Assumptions for taxation authorities' examinations;

The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

The effect of changes in facts and circumstances.

Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

January 1, 2019

IFRS 16 Leases

January 1, 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments should have no material impact on the financial statements of the Company in the year of initial application.





3 Deferred tax assets (net)

		(Amount in USD)
Particulars	As at	As at
<u> </u>	December 31, 2018	December 31, 2017
Deferred tax assets	37	
Deferred tax liability		
Deferred tax asset (net)	= =====================================	e

2018	Opening balance	Recognised in profit or loss	Closing Balance
Deferred tax assets in relation to			
Provision for doubtful debts		925	. 22
Total		-	-
2017	Opening balance	Recognised in profit	Closing Balance

2017	Opening balance	Recognised in profit or loss	Closing Balance
Deferred tax assets in relation to			
Provision for doubtful debts	3,417	(3,417)	848
Total	3,417	(3,417)	9

4 Trade receivables

(Amount in USD)

Particulars	As at	As at
	December 31, 2018	December 31, 2017
Unsecured, considered good	176,202	88,113
Credit impaired		(*)
Less: provision for doubtful debts		15
	176,202	88,113

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

The Company assesses at the end of each reporting period whether there is objective evidence that trade receivables are impaired,

An allowance for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is recognised in the profit or loss.

The Company has no provision for doubtful debt as per expected credit loss as all trade receivables from related party.

Movement of provision for doubtful debts

	For the year ended December 31, 2018	For the year ended December 31, 2017
Balance at beginning of year	2	8,580
Amount written off against receivables	Ĕ	(8,580)
Balance at end of the year	-	120
Age of Impaired trade receivables		
	For the year ended December 31, 2018	For the year ended December 31, 2017
181+ days	*	5
	-	

Receivables that are past due but not impaired

The Company has NIL trade receivables that is past due at the end of reporting period but not impaired.

5 Cash and bank balances

		(Amount in USD)
Particulars	As at	As at
	December 31, 2018	December 31, 2017
Balances with banks		
In current account	26,163	42,409
kine	26,163	42,409
1/25/11/2	100	





6 Other financial assets (carried at amortised cost)

		(Amount in USD)
Particulars	As at	As at
	December 31, 2018	December 31, 2017
Unbilled revenue	6,555	
Staff advance	2	500
	6,555	500
Non-current	·	3-
Current	6,555	500
	6,555	500
Other current assets		
Prepaid expenses	31	5
	31	7.4
Non-current	(W	
Current	31	72
	31	-

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8 Share capital

		(Amount in USD)
Particulars	As at December 31, 2018	As at December 31, 2017
Ordinary shares		
Authorised		
250,000 (Previous year 250,000) ordinary shares at "no par value"		
	725	2
Issued, subscribed and fully paid up		
243,750 (Previous year 243,750) ordinary shares at "no par value"	243,750	243,750
	243,750	243,750

Notes:

The Company has only one class of ordinary shares. Each holder of ordinary share is entitled to one vote per share and carry a right to dividends.

9 Retained earnings

		(Amount in USD)
Particulars	As at December 31, 2018	As at December 31, 2017
Opening balance	(462,764)	(481,050)
Add: Profit for the year	89,806	18,286
Total	(372,958)	(462,764)

10 Trade and other payables

// <u></u>		(Amount in USD)
Particulars	As at	As at
	December 31, 2018	December 31, 2017
Trade and other payables	2,538	5,809
	2,538	5,809

Trade and other payables are non-interest bearing and trade payables are normally settled on 30 to 60 days' terms.

11 Short term borrowings

		(Amount in USD)
Particulars	As at	As at
	December 31, 2018	December 31, 2017
Loan from related party*	310,837	343,940
	310,837	343,940

^{*} The aforesaid borrowing bear interest at 5% per annum and are repayable on demand.

12 Other financial liabilities

		(Amount in USD)
	As at	As at
	December 31, 2018	December 31, 2017
Payable to related party	8,784	
	8,784	F





13 Revenue

(Amount	in	USD)
---------	----	------

		(Attiount in OSD)
Particulars	Year ended	Year ended
	December 31, 2018	December 31, 2017
Rendering of services	2,378,739	1,627,267
	2,378,739	1,627,267

Information about major customers:

The Company has generated revenue from billing to a related party for the years ended December 31, 2018 and 2017.

14 Cost of revenues

(Amount in USD)

		(
Particulars	Year ended	Year ended
11-	December 31, 2018	December 31, 2017
Salaries and wages	2,203,174	1,549,759
Staff welfare expense	<u>.</u>	19
	2,203,174	1,549,778

15 Selling general and administrative expenses

(Amount in USD)

27,096 10,769 3,034 20	Year ended December 31, 2017 24,084 8,770 2,500
10,769 3,034 20	8,770
3,034 20	•
20	2,500 -
_	
	500
40,919	35,854
203,174	1,549,759
~	19
27,096	24,084
10,769	8,770
20	∄
3,034	2,500
:55	500
44,093	1,585,632
_	203,174 - 27,096 10,769 20 3,034

16 Finance cost

(Amount in USD)

			(**************************************
	Particulars	Year ended	Year ended
		December 31, 2018	December 31, 2017
Interest paid		16,897	19,132
		16,897	19,132





17 Taxation

The provision for income taxes for the years ended December 31, 2018 and 2017 comprised the following:

		(Amount in USD)
Components of income tax expense	Year ended December 31, 2018	Year ended December 31, 2017
Current income tax expense		
In respect of the current year	26,000	800
In respect of the prior periods	1,943	(4)
Deferred tax	<u> </u>	3,417
Income tax (credit)/expense reported in Income statement	27,943	4,217
Reconciliation of income tax charge to accounting pr	ofit:	
Profit before tax	117,749	22,503
Effective income tax rate in USA	21.00%	39.83%
Expected tax expense	24,727	8,963
Losses adjustment in combined tax return		(4,746)
Adjustment of current tax of prior periods	1,943	**
Others (net)	1,273	-
\ <u>\</u>	27,943	4,217

The Company files combined tax return along with its fellow subsidiary R Systems, Inc. ("RSI"). In the combined tax return, the tax payable by the Company is adjusted with the operating losses available in RSI for the purposes of Federal income tax.

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18 Related party disclosures

Names of related parties Parent entity

Fellow subsidiaries

R Systems International Limited, India

Following are the subsidiaries of R Systems International Limited, India

R Systems (Singapore) Pte Ltd, Singapore

R Systems, Inc., USA

ECnet Ltd, Singapore

Computaris International Limited, U.K.

RSYS Technologies Limited, Canada

Following are the subsidiaries of ECnet Ltd, Singapore

- ECnet (M) Sdn Bhd, Malaysia
- ECnet Systems (Thailand) Co. Ltd., Thailand
- ECnet (Shanghai) Co. Ltd., People's Republic of China
- ECnet (Hong Kong) Ltd., Hong Kong
- ECnet, Inc., USA
- ECnet Kabushiki Kaisha, Japan

Following are the subsidiaries of Computaris International Limited, U.K.

- Computaris Romania Srl, Romania
- Computaris Polska sp z o.o., Poland
- ICS Computaris International Srl, Moldova
- Computaris Malaysia Sdn. Bhd., Malaysia
- Computaris USA, Inc., USA (liquidated on October 22, 2018)
- Computaris Philippines Pte. Ltd. Inc., Phillippines (incorporated on May 23, 2016)
- Computaris Suisse Sarl (incorporated on April 27, 2018)

Following are the subsidiaries of R Systems (Singapore) Pte Ltd, Singapore

IBIZ Consulting Pte. Ltd., Singapore (formerly known as IBIZCS Group Pte Ltd) with the following step down subsidiaries:

- IBIZ Consulting Services Pte Ltd, Singapore
- IBIZ Consulting Services Sdn. Bhd., Malaysia
- PT. IBIZCS Indonesia., Indonesia
- IBIZ Consultancy Services India Private Limited, India
- IBIZ Consulting Services Limited, Hong Kong (IBIZ HK)
 - IBIZ Consulting Services (Shanghai) Co., Ltd., People's Republic of China (wholly owned subsidiary of IBIZ HK)

Names of other related parties with whom transactions have taken place during the year;

Key management personnel

Satinder Singh Rekhi, Director Harpreet Rekhi, Director Sartaj Singh Rekhi, Director





ii) Details of transactions with related parties for the year ended December 31, 2018 and December 31, 2017:

(Amount in USD)

		(Antiount in OSD)
Particulars	Year ended December 31, 2018	Year ended
Parameter to the color of the c	December 31, 2018	December 31, 2017
Information technology services rendered to		
R Systems Inc. USA	2,378,739	1,627,267
Total	2,378,739	1,627,267
Interest Expenses		
R Systems Inc. USA	16,897	19,132
Total	16,897	19,132
Travel & other expenses reimbursed by the company to		
R Systems Inc. USA	33,895	31,254
Total	33,895	31,254
Travel & other expenses reimbursed to the company by		
R Systems Inc. USA	::E	15,385
Total	¥	15,385
Loan taken from		
R Systems Inc. USA	=	35,000
Total Total	iii iii ii i	35,000
Loans repaid to		
R Systems Inc. USA	33,103	100,000
Total	33,103	100,000

iii) Outstanding balances of related parties as at December 31, 2018 and December 31, 2017:

(Amount in USD)

		(minute in our)		
Particulars	Year ended	Year ended		
	December 31, 2018	December 31, 2017		
Trade receivable				
R Systems Inc. USA	176,202	88,113		
Total	176,202	88,113		
Unbilled revenue				
R Systems Inc. USA	6,555			
Total	6,555	*		
Short term borrowings				
R Systems Inc. USA*	310,837	343,940		
Total	310,837	343,940		

^{*}The loans bear interest at 5% per annum and are due on demand. The maximum amount outstanding during 2018 and 2017 was USD 356,999 and USD 419,919 respectively.

Other financial liabilities

R Systems Inc. USA

Total

8,784

8,784





19 Financial instruments and risk management

Categories of financial instruments

The Company has the following categories of financial instruments at the balance sheet date:

(Amount in USD)

	(**************************************	
	Year ended December 31, 2018	Year ended December 31, 2017
Financial assets		
Trade receivables	176,202	88,113
Cash and bank balances	26,163	42,409
Other financial assets	6,555	500
	208,920	131,022
Financial liabilities		
Trade and other payables	2,538	5,809
Short term borrowing	310,837	343,940
Other financial liabilities	8,784	
	322,159	349,749

Capital risk management

The Company aims to manage its overall capital so as to ensure the company continues to operate as a going concern, whilst providing an adequate return to shareholders. The Company's overall strategy remains unchanged for 2018 and it is not subject to externally imposed capital requirements.

The Company's current and total liabilities exceeded its current and total assets as at the year end. The holding company undertakes to continue providing financial support to the Company to discharge its liability.

The Company's capital structure represents the equity attributable to shareholders of the company together with cash and bank balances as follows:

(Amount in USD)

	Year ended December 31, 2018	Year ended December 31, 2017
Cash and bank balances	26,163	42,409
Total	26,163	42,409
Equity	(129,208)	(219,014)
Total	(129,208)	(219,014)
Capital and net funds	(155,371)	(261,423)

Risk management objectives

The Board of Directors of the company is charged with the overall responsibility of establishing and monitoring the Company's risk management policies and processes. The Company's risk management policies and processes are determined in order to identify, analyse and monitor the risks that are faced by the Company.

The principal risks to which the Company is exposed are market risk including currency risk, price risk and interest rate risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes in the values of financial instruments may result from changes in the foreign currency exchange rate, interest rates and prices.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company has no significant exposure to movements in foreign currency exchange rates arising from normal trading transactions. Therefore, the risk associated with the movement of foreign exchange rates has no significant impact on the company.



Interest rate risk

The carrying amount of borrowings as at reporting date having interest rate risk is as follows:

	(Amount in USD)
As at	As at
December 31, 2018	December 31, 2017
310,837	343,940
310,837	343,940
	December 31, 2018 310,837

The company has used a sensitivity analysis technique that measures the estimated change to the income statement from 10% change in the Interest rate on outstanding borrowings. Under this assumption, with a 10% upward or downward change in Interest rate profit before tax would have decreased by USD 1,696 (Previous year USD 1,913) or increased by USD 1,696 (Previous year USD 1,913).

Credit risk

Credit risk is the risk that a counter-party will cause a financial loss to the Company by failing to discharge its obligation to the Company.

The Company trades only with recognised, credit worthy customers. All customers who wish to trade on credit are subject to credit verification checks. Customer balances are checked regularly to ensure that the risk of exposure to bad debts is minimised.

The maximum exposure to credit risk for trade and other receivables, bank balances and other financial assets is represented by their carrying amount.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment.

The Company has generated revenue from billing to a related party for the years ended December 31, 2018 and 2017.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company has given responsibility of liquidity risk management to the Board of Directors who have formulated liquidity management tools to service this requirement.

Management of liquidity risk is achieved by monitoring budgets and forecasts and actual cash flows. In addition, the Company benefits from strong cash flow from its normal trading activities.

At the balance sheet date the Company had no bank loans or finance lease liabilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

(Amount in USD)

Particulars	As at	As at
	December 31, 2018	December 31, 2017
Less than 1 year		
Trade and other payables	2,538	5,809
Short term borrowings	310,837	343,940
Other financial liabilities	8,784	72
	322,159	349,749

Fair values

The Board of Directors consider that the carrying values of all the company's financial assets and liabilities approximate their fair values as at the balance sheet dates.

The Company does not hold any financial instruments that are classified as fair value through profit or loss or available for sale and therefore are measured at fair value.





The Company has accumulated losses of USD 372,958 as at December 31, 2018 (as at December 31, 2017 USD 462,764), this has resulted in erosion of its net worth as at December 31, 2018. Further, the Company's current liabilities exceeded its current assets by USD 129,208 as on December 31, 2018 (previous year USD 219,014). These conditions indicate the existence of a uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. During the year ended December 31, 2018 the Company has earned profit of USD 89,806 (previous year USD 18,286). The ability of the Company to continue as a going concern is dependent on the improvement of the Company's future operations and continued financial support from R Systems International Limited, the holding company. The financial statements of the Company have been prepared on the basis that the Company is a going concern, as the holding company has confirmed to provide requisite financial support for the continued operations of the Company as and when required. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

21 Subsequent events

The Company evaluated subsequent events for potential recognition and disclosure through February 08, 2019, the date the financial statements were issued.

For and on behalf of the board of directors R SYSTEMS TECHNOLOGIES LIMITED

SATINDER SINGH REKHI

Director

Place: Singapore





Directors' Statement and Audited Financial Statements

ECnet Limited and its Subsidiaries

(Co. Reg. No. 199609109E)

For the year ended 31 December 2018

ECnet Limited and its Subsidiaries

(Co. Reg. No. 199609109E)

General Information

Directors

Sartaj Singh Rekhi Chan Kum Ming Teo Lye Choon

Secretary

Ng Chee Tiong

Independent Auditor

HLB Atrede LLP

Contents

	Page
Directors' Statement	1
Independent Auditor's Report	3
Balance Sheets	7
Consolidated Statement of Comprehensive Income	8
Statements of Changes in Equity	9
Consolidated Cash Flow Statement	10
Notes to the Financial Statements	11

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of ECnet Limited (the "Company") and its subsidiaries (the "Group") and balance sheet and statement of changes in equity of the Company for financial year ended 31 December 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

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

Sartaj Singh Rekhi Chan Kum Ming Teo Lye Choon

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations as stated below:

	Holding reg names of d		Holdings in whic deemed to hav	
Name of directors	At beginning of year	At end of year	At beginning of year	At end of year
		Ordi	nary shares	
<i>The Company</i> Sartaj Singh Rekhi	_		91.870.697	91.870.697

Directors' Statement - continued

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

	Holding reg		Holdings in which deemed to have	
Name of directors	At beginning of year	At end of year	At beginning of year	At end of year
		Ordinary sh	ares of Rs. 1 each	
The immediate and ultimate				
holding company				
- R Systems International				
Limited				
Sartaj Singh Rekhi	5,864,656	5,864,656	38,822,571	38,822,571
Chan Kum Ming	8,000	8,000		_

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of financial year or at the end of financial year.

5. OPTIONS ON SHARES TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

6. OPTIONS EXERCISED

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

7. UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

8. INDEPENDENT AUDITOR

The independent auditor, HLB Atrede LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Chan Kum Ming

Director

 μ

Teo Lye Choon Director

Singapore

30 January 2019



Independent Auditor's Report to the members of ECnet Limited (Co. Reg. No. 199609109E)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ECnet Limited ("the Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and of the Company as at 31 December 2018, and the statements of changes in equity of the Group and of the Company, consolidated statement of comprehensive income, and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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Independent Auditor's Report to the members of ECnet Limited - continued (Co. Reg. No. 199609109E)

Other Information (continued)

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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Independent Auditor's Report to the members of ECnet Limited – continued (Co. Reg. No. 199609109E)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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Independent Auditor's Report to the members of ECnet Limited – continued (Co. Reg. No. 199609109E)

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 of which we are the auditors have been properly kept in accordance with the provisions of the Act.

HLB Arrede LLP

HLB Atrede LLP Public Accountants and Chartered Accountants

Singapore 30 January 2019

20 Peck Seah Street #04-00 Singapore 079312

ECnet Limited and its Subsidiaries

(Co. Reg. No. 199609109E)

Balance Sheets as at 31 December 2018

		\mathbf{G}_{0}	roup	Com	pany
	Note	2018	2017	2018	2017
_ •		\$	\$	\$	\$
Non-current assets		100 506	57.007	21.024	22.22
Plant and equipment	4	103,586	57,387	21,095	22,392
Investment in subsidiaries	5	102.506	57.207	301,445	
		103,586	57,387	322,540	22,393
Current assets					
Trade receivables	6	1,184,143	1,023,533	571,491	619,05
Other receivables	7	255,069	239,971	105,260	136,260
Contract assets	8	503,310	351,782	48,006	152,63
Amounts due from holding	_	,	,	,	,
company	9	12,564	5,512	12,564	5,512
Amounts due from		,	•	,	ŕ
subsidiary companies	10		_	1,158,576	1,056,263
Amounts due from related				-,,	-, ,
companies	11	210,029	601,985	206,604	588,99
Cash and cash equivalents	12	2,639,910	2,126,706	1,516,672	1,002,34
		4,805,025	4,349,489	3,619,173	3,561,06
	,	4,000,025	4,545,405	3,015,175	
Current liabilities					
Trade payables	13	92,293	183,986	39,790	163,44
Other payables	14	681,708	442,442	508,197	325,96
Contract liabilities	15	197,826	725,902	189,701	700,120
Amounts due to a holding		,	,	,,,,	
company	16	193,280	209,674	193,280	209,67
Amounts due to subsidiary		,	,	171,200	, - ·
companies	10	_	_	18,872	130,353
Гах payable		2,209	_	-	
tan pajaote		1,167,316	1,562,004	949,840	1,529,563
		1,101,010		7 77,0 10	
Net current assets		3,637,709	2,787,485	2,669,333	2,031,504
Non-current liabilities					
Other payables	14	808	1,168	808	1,168
Deferred taxation	17	_	-	_	-,
	•	808	1,168	808	1,168
Net assets		3,740,487	2,843,704	2,991,065	2,052,729
	,	, ,			,,
Equity attributable to					
owners of the Company	10	86,549,523	96 540 522	86 540 500	06 E40 ED
Share capital	18	60,549,523	86,549,523	86,549,523	86,549,52
Foreign currency					
translation adjustment	1.0	(102.550)	(50.500)		
reserve	19	(103,552)	(59,520)	(00.550.450)	-
Accumulated losses		(82,705,484)	(83,646,299)	(83,558,458)	(84,496,79
Fotal equity		3,740,487	2,843,704	2,991,065	2,052,725

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

(Co. Reg. No. 199609109E)

Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2018

	Note	2018 \$	2017 \$
Revenue	20	11,846,725	9,450,288
Cost of revenue		(8,685,536)	(6,476,771)
Gross profit		3,161,189	2,973,517
Other operating income	21	486,898	501,535
Distribution costs		(699,167)	(557,337)
Administrative expenses		(2,110,654)	(2,120,545)
Other credits/(charges)	22	138,705	134,002
Finance cost	23	_	(3)
Profit before tax	24	976,971	931,169
Income tax expense	25	(36,156)	(11,607)
Profit for the year		940,815	919,562
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		(44,032)	24,472
Other comprehensive (loss)/income for the year,			
net of tax		(44,032)	24,472
Total comprehensive income for the year		896,783	944,034
Profit attributable to:			
Owners of the Company		940,815	919,562
Total comprehensive income attributable to:			
Owners of the Company		896,783	944,034

 $\label{thm:company:conting} \textit{The accompanying accounting policies and explanatory notes form an integral part of financial statements.}$

(Co. Reg. No. 199609109E)

Statements of Changes in Equity for the financial year ended 31 December 2018

	Share capital \$	Foreign currency translation adjustment reserve \$	Accumulated losses \$	Total \$
Group				
Balance at 1 January 2017 Total comprehensive income	86,549,523	(83,992)	(84,565,861)	1,899,670
for the year		24,472	919,562	944,034
Balance at 31 December 2017	86,549,523	(59,520)	(83,646,299)	2,843,704
Total comprehensive income	, ,	, , ,		,
for the year		(44,032)	940,815	896,783
Balance at 31 December 2018	86,549,523	(103,552)	(82,705,484)	3,740,487
Company				
Balance at 1 January 2017 Total comprehensive income	86,549,523	_	(85,054,920)	1,494,603
for the year	_	_	558,126	558,126
Balance at 31 December 2017	86,549,523	_	(84,496,794)	2,052,729
Total comprehensive income				
for the year			938,336	938,336
Balance at 31 December 2018	86,549,523		(83,558,458)	2,991,065

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

(Co. Reg. No. 199609109E)

Consolidated Cash Flow Statement for the financial year ended 31 December 2018

	2010	
	2018 \$	2017 \$
	Ψ	Ψ
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	976,971	931,169
Adjustments for:		
Payable written back	(32,249)	_
Depreciation	38,425	29,106
Interest income	(5,203)	(3,848)
Interest expenses	_	3
Allowance for expected credit losses	23,875	19,590
Bad debts expense - trade		365
Reversal of allowance for impairment on trade receivables	(17,925)	(102,822)
Currency alignment	(44,583)	24,321
Operating profit before working capital changes	939,311	897,884
Increase in fixed deposits pledged	(15)	(16)
Increase in trade and other receivables, contract assets	(333,187)	(79,644)
(Decrease)/increase in trade and other payables, contract liabilities	(348,614)	706,448
Decrease/(increase) in amounts due from related companies	350,548	(370, 322)
Decrease in amounts due to a holding company	(12,600)	(88,080)
Cash generated from operations	595,443	1,066,270
Interest paid	•	(3)
Interest received	5,203	3,848
Tax paid	(33,934)	(16,968)
Net cash flows from operating activities	566,712	1,053,147
CACH ELOWE EDOM INVECTING A CENTEN		
CASH FLOWS FROM INVESTING ACTIVITY Purchase of plant and equipment	(04.005)	(20 421)
Net cash flows used in investing activity	(84,085)	(38,431)
Net cash hows used in investing activity	(84,085)	(38,431)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in amount due from holding company	(7,052)	(3,687)
Increase in amounts due to a holding company	(3,793)	1,019
Decrease/(increase) in amounts due from related companies	41,407	(18,097)
Net cash flows from/(used in) financing activities	30,562	(20,765)
Not decrease in each and each equi1	£12 190	002.051
Net decrease in cash and cash equivalents	513,189	993,951
Cash and cash equivalents at beginning of year	2,096,645	1,102,694
Cash and cash equivalents at end of year (Note 12)	2,609,834	2,096,645

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

(Co. Reg. No. 199609109E)

Notes to the Financial Statements - 31 December 2018

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

1. CORPORATE INFORMATION

The Company is a public company limited by shares incorporated and domiciled in Singapore. The Company's immediate and ultimate holding is R Systems International Limited, a company incorporated in India and listed on the National Stock Exchange of India Limited and BSE Limited.

The registered office of the Company is located at 16 Jalan Kilang #04-01 Hoi Hup Building Singapore 159416.

The principal activities of the Company and its subsidiaries are those of providers of collaborative Internet-based supply chain solutions and management services, customers technical and administrative support services and information technology consultancy services. There have been no significant changes in the nature of these activities during the financial year.

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements of the Group and the statement of comprehensive income, the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ('FRS').

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar (SGD or \$) and all values are rounded to the nearest one-dollar unless otherwise stated.

The accounting policies adopted are consistent with those used in the previous financial year except in current financial year, the Group and the Company has adopted all applicable new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new and revised FRS and INT FRS did not result in any changes to the Group and the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

The Group and the Company applied FRS 109 and FRS 115 for the first time. The nature and effect of the changes as a result of the adopting of these new accounting standards are described below:

FRS 109 Financial Instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

FRS 109 Financial Instruments (continued)

Classification and measurement

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

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of FRS 109 did not have a significant impact on the Group. The loans and receivable that are previously measured at amortised cost will continue to be accounted for using amortised cost under FRS 109.

Impairment

The adoption of FRS 109 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing FRS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. FRS 109 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. FRS 109 requires the Group to record ECL on all debt securities, loans, trade receivable and financial guarantee, either on a 12 months or lifetime basis. The Group has applied the simplified approach and record lifetime ECL on all trade receivable. The change in model did not have a material impact to the financial statements on initial recognition.

FRS 115 Revenue from Contracts with Customers

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

FRS 115 Revenue from Contracts with Customers (continued)

Under FRS 115, revenue is recognised when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transfer to the customer.

The Group provides IT contract services and accordingly revenue is recognised to their performance obligation when control over the corresponding service is transferred to the customer. The timing of revenue recognition of each of these performance obligations when provision for the relevant services are completed, are consistent with previous practice.

The Group has changed the presentation of certain amount in the balance sheet to reflect the terminology in FRS 115:

- Accrued revenue in other receivable from previous year were reclassified as part of contract assets.
- Advance billing to customer arising from service contract from previous year were reclassified as part of contract liabilities.

Standards issued but not yet effective

The Group has not adopted the following standards that has been issued but not yet effective:

Effective date

	(Annual periods beginning on or after)
FRS 116 Leases	1 January 2019
Improvements to FRSs (December 2016): - Amendment to FRS 28: Long-term interests in Associate and Joint venture	1 January 2019
Improvements to FRSs (March 2017): - Amendment to FRS 103 Business Combinations - Amendment to FRS 111 Joint Arrangements - Amendment to FRS 12 Income Taxes - Amendment to FRS 23 Borrowing Costs	1 January 2019 1 January 2019 1 January 2019 1 January 2019
INT FRS 123: Uncertainty over Income Tax Treatments	1 January 2019

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS is described below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards issued but not yet effective (continued)

FRS 116 Leases

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation and business combination

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(ii) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Business combinations and goodwill (continued)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

(c) Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies 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 end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(ii) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(Co. Reg. No. 199609109E)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Computer equipment - 3 years
Computer software - 3 to 5 years
Furniture and fitting - 5 years
Leasehold improvement - 5 years
Office equipment - 3 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

For acquisition and disposals of plant and equipment, depreciation is provided in the month of acquisition and no depreciation is provided in the month of disposal.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial yearend, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(f) Subsidiaries

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

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments

(i) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the 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

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

• Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(i) Financial assets (continued)

Investments in debt instruments (continued)

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

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

Derecognition

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

(ii) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

(Co. Reg. No. 199609109E)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(ii) Financial liabilities (continued)

Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(h) Impairment of financial assets

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of financial assets (continued)

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

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

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (i) significant financial difficulty of the issuer or the borrower;
- (ii) a breach of contract, such as a default or past due event;
- (iii) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (v) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off

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

(Co. Reg. No. 199609109E)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of non-financial assets

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

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

(j) Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

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

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank, demand deposits and shortterm that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

(1) Trade and other payables

Trade and other payables are non-interest bearing and trade payables are normally settled on 30 to 60 days' terms while other payables have an average term of six months.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Government grant

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other operating income". Alternatively, they are deducted in reporting the related expenses.

(n) Provisions

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

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

(o) Employee benefits

(i) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownerships of the leased are classified as operating leases.

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

(q) Revenue

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

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

(i) IT Professional services

The Group provides business IT implementation and integration services, and support services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the estimated total man days service performed to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual man days service performed relative to the total expected man days services.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Some contracts include multiple deliverables, such as the sale of hardware, implementation supporting services. However, the implementation and support service are simple and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Revenue (continued)

(ii) Other contract services

The Group also provides management services to the related companies and accounting services under fixed-price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes a monthly fee, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

(iii) Interest income

Interest income is recognised as interest accrues (using the effective interest method) unless collectability is in doubt.

(iv) Commission income

Commission income is recognised upon the completion of services performed and acceptance by customers.

(r) Taxes

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income taxes are recognised in the profit or loss except to the extent that tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

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

(Co. Reg. No. 199609109E)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Taxes (continued)

(ii) Deferred tax (continued)

Deferred tax liabilities are recognised for all temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

(iii) Goods and services tax

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

- Where the goods and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of goods and services tax included.

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

(Co. Reg. No. 199609109E)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities, and disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(i) Judgement made in applying accounting policies

In the process of applying the accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

• Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

For the implementation and commissioning of IT services, revenue is recognised over time based on the actual man days service preformed relative to the total estimated man days to be performed. The estimated man days to be performed are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its similar implementation and commissioning IT services.

(ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for various customers segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates

When calculating ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

(Co. Reg. No. 199609109E)

Notes to the Financial Statements - 31 December 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

- (ii) Estimates and assumptions (continued)
 - Provision for expected credit losses of trade receivables and contract assets (continued)

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 6 and Note 8 respectively.

• Income tax

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

ECnet Limited and its Subsidiaries (Co. Reg. No. 199609109E)

4. PLANT AND EQUIPMENT

Group	Computer equipment \$	Computer software	Furniture and fitting \$	Leasehold improvement \$	Office equipment \$	Total \$
Cost: At 1 January 2017	457,074	493 075	68.295	32,234	56.750	1.107.428
Additions	14,638	1,699		22,018	22,122	38,431
Currency realignment	1,210	1,116	434	445	516	3,721
At 31 December 2017 and 1 January 2018	472,922	495,890	68,729	54,697	57,342	1,149,580
Additions	20,022	1	2,447	55,130	6,486	84,085
Written-off	(20,682)	(43,644)	(31,752)	(2,742)	(18,390)	(117,210)
Currency realignment	758	136	(63)	271	414	1,486
At 31 December 2018	473,020	452,382	39,331	107,356	45,852	1,117,941
Accumulated depreciation:						
At 1 January 2017	436,112	480,911	65,138	24,214	53,255	1,059,630
Charge for the year	13,583	7,803	2,681	2,931	2,108	29,106
Currency realignment	1,091	1,108	417	364	477	3,457
At 31 December 2017 and 1 January 2018	450,786	489,822	68,236	27,509	55,840	1,092,193
Charge for the year	16,342	3,318	495	15,136	3,134	38,425
Written-off	(20,682)	(43,644)	(31,752)	(2,742)	(18,390)	(117,210)
Currency realignment	581	134	(102)	(42)	376	947
At 31 December 2018	447,027	449,630	36,877	39,861	40,960	1,014,355
Net carrying amount:						
At 31 December 2017	22,136	990'9	493	27,188	1,502	57,387
At 31 December 2018	25,993	2,752	2,454	67,495	4,892	103,586

ECnet Limited and its Subsidiaries (Co. Reg. No. 199609109E)

4. PLANT AND EQUIPMENT (continued)

Company	Computer equipment	Computer software \$	Furniture and fitting \$	Leasehold improvement \$	Office equipment \$	Total \$
Cost: At 1 January 2017	173 277	438 544	19.089	8 145	12.095	851 100
Additions	600,6	1,699	-	- 1	-	10,708
At 31 December 2017 and 1 January 2018	382,236	440,243	19,089	8,145	12,095	861,808
Additions	14,085	I	I	I	I	14,085
Written-off	(6,281)	1	I	1	I	(6,281)
At 31 December 2018	390,040	440,243	19,089	8,145	12,095	869,612
Accumulated depreciation:						
At 1 January 2017	359,175	426,732	16,756	4,839	10,808	818,310
Charge for the year	9,016	7,538	2,333	1,305	914	21,106
At 31 December 2017 and 1 January 2018	368,191	434,270	19,089	6,144	11,722	839,416
Charge for the year	10,475	3,228	1	1,305	373	15,381
Written-off	(6,281)	I	I	I	I	(6,281)
At 31 December 2018	372,385	437,498	19,089	7,449	12,095	848,517
Net carrying amount:						
At 31 December 2017	14,045	5,973	I ::	2,001	373	22,392
At 31 December 2018	17,655	2,745	I	969	ŧ	21,095

5. INVESTMENT IN SUBSIDIARIES

	Compa	ny
	2018	2017
	\$	\$
Unquoted shares, at cost	2,019,896	819,896
Less: Impairment losses	(1,718,451)	(819,895)
	301,445	1

Details of the subsidiary companies at 31 December 2018 are as follows:

Name and principal activities	Country of incorporation	Cost of inv		owne inte	rtion of rship rest
		2018 \$	2017	2018 %	2017
ECnet (M) Sdn Bhd * (Provision of internet electronic commerce and online information services)	Malaysia	1,407,460	\$ 207,460	100	% 100
ECnet Systems (Thailand) Co. Ltd * (Provision of internet electronic commerce and online information services)	Thailand	90,000	90,000	100	100
ECnet (Shanghai) Co., Ltd * (Provision of internet electronic commerce and online information services)	People's Republic of China	358,415	358,415	100	100
ECnet (Hong Kong) * (Provision of internet electronic commerce and online information services)	Hong Kong	1	1	100	100
ECnet Inc. + (Provision of internet electronic commerce and online information services)	United States of America	3,420	3,420	100	100
ECnet Kabushiki Kaisha + (Provision of internet electronic commerce and online information services)	Japan ₋	160,600 2,019,896	160,600 819,896	100	100

^{*} Audited by other firms

During the financial year, the Company has subscribed additional 3,600,000 ordinary share in a subsidiary ECnet (M) Sdn. Bhd for consideration of \$1,200,000.

⁺ Not required to be audited by law in the respective countries of incorporation

6. TRADE RECEIVABLES

	Grou	гр	Compa	ny
	2018	2017	2018	2017
	\$	\$	\$	\$
Trade receivables Less: Allowance for expected credit	1,255,581	1,216,787	578,844	637,442
losses	(71,438)	(193,254)	(7,353)	(18,391)
	1,184,143	1,023,533	571,491	619,051

The average credit period on sale of goods is 30 to 90 days (2017: 30 to 90 days). No interest is charged on the trade receivables. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against certain receivables over 180 days past due because historical experience has indicated that these receivables are generally not recoverable.

Receivables that are impaired

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach.

	Lifetime ECL not credit impaired collectively	Lifetime ECL credit impaired	Total
	assessed		
_	\$	\$	\$
Group			
Balance as at 1 January 2017	_	276,815	276,815
Allowance of expected credit loss	<u> </u>	19,590	19,590
Amount written off	_	(439)	(439)
Change in loss allowance derecognised due to			
settlement	_	(102,822)	(102,822)
Foreign exchange gain or loss		110	110
Balance as at 31 December 2017	_	193,254	193,254
Allowance of expected credit loss	1,244	22,631	23,875
Amount written off	_	(128,835)	(128,835)
Change in loss allowance derecognised due to			
settlement	_	(17,925)	(17,925)
Foreign exchange gain or loss		1,069	1,069
Balance as at 31 December 2018	1,244	70,194	71,438

6. TRADE RECEIVABLES (continued)

	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	collectively assessed		
	\$	\$	\$
Company			
Balance as at 1 January 2017	_	26,116	26,116
Allowance of expected credit loss	_	5,440	5,440
Amount written off	_	^ _	_
Change in loss allowance derecognised due to			
settlement		(13,251)	(13,251)
Foreign exchange gain or loss	_	86	86
Balance as at 31 December 2017	_	18,391	18,391
Allowance of expected credit loss	1,230	485	1,715
Change in loss allowance derecognised due to			
settlement	_	(12,866)	(12,866)
Foreign exchange gain or loss	<u>-</u> _	113	113
Balance as at 31 December 2018	1,230	6,123	7,353

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. As the historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the different customer base.

(Co. Reg. No. 199609109E)

Notes to the Financial Statements - 31 December 2018

6. TRADE RECEIVABLES (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables for individual customers as at 31 December 2018:

	Weighted			
	average loss rate %	Carrying amount \$	Loss allowance \$	Credit impaired
Group			·	
2018*				
Current (not past due)	0.14	853,770	1,195	No
1 to 30 days past due	0.22	203,476	448	No
31 to 60 days past due	0.22	64,568	142	No
61 to 90 days past due	0.22	14,344	31	No
91 to 180 days past due	1.34	33,075	443	No
Past due more than 180 days	83.08	86,348	71,736	Yes
		1,255,581	73,995	
2017*				
Current (not past due)	0.14	601,484	842	No
1 to 30 days past due	0.22	180,745	398	No
31 to 60 days past due	0.22	73,873	163	No
61 to 90 days past due	0.22	142,306	313	No
91 to 180 days past due	1.34	13,314	178	No
Past due more than 180 days	94.36	205,065	193,491	Yes
		1,216,787	195,385	
Company				
2018*				
Current (not past due)	0.14	434,258	608	No
1 to 30 days past due	0.22	62,575	138	No
31 to 60 days past due	0.22	51,997	114	No
61 to 90 days past due	0.22	535	1	No
91 to 180 days past due	1.34	13,929	186	No
Past due more than 180 days	40.55	15,550	6,306	Yes
		578,844	7,353	

6. TRADE RECEIVABLES (continued)

	Gross impairment			
Company (continued)	Weighted average loss rate %	Carrying amount \$	Loss allowance \$	Credit impaired
2017*				
Current (not past due)	0.14	383,192	536	No
1 to 30 days past due	0.22	91,749	201	No
31 to 60 days past due	0.22	25,344	56	No
61 to 90 days past due	0.22	116,765	257	No
91 to 180 days past due	24.39	2,616	638	Yes
Past due more than 180 days	100.00	17,776	17,776	Yes
	-	637,442	19,464	

^{*} In case of non collection the default rate is 100%.

The Group and the Company are not recognised the loss allowance that are no credit impaired under collectively assessed of \$2,557 and \$Nil (2017: \$2,131 and \$1,073 respectively.

Trade receivables are denominated in the following currencies:

	Gre	Group		Company	
	2018	2017	2018	2017	
	\$	\$	\$	\$	
Chinese Renminbi	23,065	67,909	_		
Others	1,738	4,322	(68)	(62)	
Malaysia Ringgit	444,528	240,464	_		
Singapore Dollar	516,752	500,973	516,752	500,974	
Thai Baht	139,217	91,726		_	
United States Dollar	58,843	118,139	54,807	118,139	
	1,184,143	1,023,533	571,491	619,051	
7. OTHER RECEIVA	BLES				
Advances payment to)				
suppliers	17,186	52,168	17,186	52,168	
Deposits	73,382	90,490	37,353	37,353	
Prepayments	76,079	59,113	45,871	39,018	
Tax receivables	-	5,428	_	_	
Sundry receivables	88,422	32,772	4,850	7,727	
	255,069	239,971	105,260	136,266	

7. OTHER RECEIVABLES (continued)

Other receivables are denominated in the following currencies:

	Grou	Group		Company	
	2018	2017	2018	2017	
	\$	\$	\$	\$	
Chinese Renminbi	9,978	6,910	_	_	
Others	_	5,543	_	_	
Malaysia Ringgit	17,213	15,839	_	_	
Singapore Dollar	42,203	45,080	42,203	45,080	
Thai Baht	90,777	53,719	_	-	
United States Dollar	1,633	1,599	_	_	
	161,804	128,690	42,203	45,080	

8. CONTRACT ASSETS

Contract assets primarily relate to the right to consideration for work completed but not yet billed at reporting date for services rendered. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

Management always estimates the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the Technology industry. None of the amounts due from customers at the end of the reporting period is past due.

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

9. AMOUNTS DUE FROM HOLDING COMPANY

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

10. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

Amount due from Trade	-	_	3,082,066	3,566,773
Less: Allowance for impairment	-		(2,066,633) 1,015,433	(2,552,397) 1,014,376
Non-trade Less: Allowance for			607,311	417,563
impairment	-		(464,168) 143,143	(375,676) 41,887
			1,158,576	1,056,263

10. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES (continued)

	Group		Company		
	2018	2017	2018	2017	
	\$	\$	\$	\$	
A					
Amount due to Trade				39,047	
Non-trade	_	_	(19 972)	•	
Non-trade			(18,872)	(169,400)	
-		<u> </u>	(18,872)	(130,353)	
The amounts due are unsecured. The movement in allowances		•		led in cash.	
Balance at beginning of year	_	_	2,928,073	2,311,303	
Reversal for the year	_	_	(1,484,928)	(217,908)	
Charge to for the year	-	_	1,004,798	834,678	
Foreign currency adjustment	***	_	82,858	_	
Balance at end of the year		—-	2,530,801	2,928,073	
The amount due from/ (to) su	bsidiaries compani	es are denomina	ted in the following	currencies:	
Malaysia Ringgit	_	_	_	(5,022)	
Singapore Dollar	_	_	1,158,576	927,891	
				•	

Receivables that are past due but not impaired

United States Dollar

11.

The amounts due from subsidiaries amounting to \$830,854 (2017: \$823,412) that is past due at the

(18,872)1,139,704

end of the reporting period their aging at the end of the		These receivables	, ,	L .
Receivables past due but not impaired:				
Not more than 60 days	_		266,347	249,278
More than 60 days			564,507	574,134
			830,854	823,412
AMOUNTS DUE FROM I	RELATED COMI	PANIES		
Trade	202,153	552,702	198,728	539,713
Non-trade	7,876	49,283	7,876	49,283
	210,029	601,985	206,604	588,996

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

11. AMOUNTS DUE FROM RELATED COMPANIES (continued)

The amount due from related companies are denominated in the following currencies:

	Grou	Group		Company	
	2018	2017 2018		2017	
	\$	\$	\$	\$	
Malaysia Ringgit	3,425	12,989	_	_	
Singapore Dollar	195,702	588,996	195,702	588,996	
United States Dollar	10,902	_	10,902	_	
	210,029	601,985	206,604	588,996	

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

	2017	Cash flows	Non-cash changes	2018
A	\$	\$	\$	\$
Amounts due from related companies	49,283	(41,407)		7,876

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	2017 2018	2017
	\$	\$	\$	\$
Cash and bank balances	2,309,834	2,096,645	1,186,596	972,284
Short-term deposit	330,076	30,061	330,076	30,061
	2,639,910	2,126,706	1,516,672	1,002,345
Less: Short-term deposit				
pledged	(30,076)	(30,061)	(30,076)	(30,061)
Cash and cash equivalents as stated in cash flow	2,609,834	2,096,645	1,486,596	972,284

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term deposit made for periods of 1 to 3 month (2017: 1 month) and earn interest respective short term deposit rates. The weighted average effective interest rates as at 31 December 2018 were 0.05% to 0.92% (2017: 0.05%) per annum.

The fixed deposits amounted \$30,076 (2017: \$30,061) were pledged to a bank for unutilised banking facilities granted to the Company.

13.

14.

Notes to the Financial Statements - 31 December 2018

12. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents denominated in the following currencies:

	Gro	up	Comp	any
	2018	2017	2018	2017
	\$	\$	\$	\$
Chinese Renminbi	282,491	421,374	_	_
Others	94,468	157,089	_	_
Malaysia Ringgit	526,360	428,279	_	_
Singapore Dollar	763,289	871,775	763,289	871,775
Thai Baht	184,292	83,556	_	-
United States Dollar	789,010	164,633	753,383	130,570
_	2,639,910	2,126,706	1,516,672	1,002,345
TRADE PAYABLES				
Trade payable are denominate	d in the following	g currencies:		
Others	586	_	_	_
Malaysia Ringgit	46,056	14,804		_
Singapore Dollar	28,105	80,336	28,105	80,336
Thai Baht United States Dollar	17.546	00 046	11.605	93.106
Officed States Dollar	17,546	88,846	11,685	83,106
=	92,293	183,986	39,790	163,442
OTHER PAYABLES				
Current:				
Accrued liabilities Accrued salaries and related	84,839	105,471	27,955	75,672
cost	370,154	105,223	331,992	74,086
Advances receipts from	570,154	103,223	331,992	74,000
customers	6,099	_	6,099	_
Deferred grant	2,595	4,060	2,595	4,060
GST payable	129,152	130,194	76,352	95,078
Provision for unutilised	,	•	,	,,,,
leave	88,869	97,494	63,204	77,072
- -	681,708	442,442	508,197	325,968
Non-current:				
Deferred grant	808	1,168	808	1,168
				•

(Co. Reg. No. 199609109E)

Notes to the Financial Statements - 31 December 2018

14. OTHER PAYABLES (continued)

Other payable are denominated in the following currencies:

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Chinese Renminbi	4,125	6,194	_	_
Others	8,319	8,370	_	_
Malaysia Ringgit	108,836	66,486	_	_
Singapore Dollar	436,299	244,837	436,299	244,836
Thai Baht	25,764	15,001	_	_
United States Dollar	802	_	_	_
	584,145	340,888	436,299	244,836

15. CONTRACT LIABILITIES

Contract liabilities are relating to the advance billing to customer for the consultancy services to be provided. The revenue relating to the consultancy services is recognised when services rendered.

16. AMOUNTS DUE TO A HOLDING COMPANY

Trade	177,520	192,640	177,520	192,640
Non-trade	15,760	17,034	15,760	17,034
	193,280	209,674	193,280	209,674

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

17. DEFERRED TAXATION

Deferred tax assets:				
Difference in depreciation	101,641	99,444	101,641	99,444
Impairment loss on trade				
receivables	145,776		_	_
Unrealised gain on forex				
exchange	(5,204)	_	_	_
Capital allowances carry				
forward	890,181	1,005,013	886,837	994,713
Tax losses carry-forward	5,252,690	5,311,731	4,396,302	4,468,060
Total deferred tax assets	6,385,084	6,416,188	5,384,780	5,562,217
Deferred tax assets on				
temporary differences not				
recognised	(6,385,084)	(6,416,188)	(5,384,780)	(5,562,217)
Balance		_		

17. DEFERRED TAXATION (continued)

Unrecognised tax losses

As at the end of the reporting period, the Group has unutilised capital allowances and tax losses carry forward amounting to \$31,077,000 (2017: \$32,991,000) that are available for offsetting against future taxable profits of the companies in which the losses and capital allowance arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The realisation of these future income tax benefits will only be obtained if the Group derives future taxable income of a nature and of sufficient amount to enable the tax benefits to be realised and the Group continues to comply with the conditions imposed by the law.

18. SHARE CAPITAL

	Group and Company				
	2018) 17	
	Number of shares	\$	Number of shares	\$	
Issued and fully paid: Ordinary shares	92,103,530	86,549,523	92,103,530	86,549,523	

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

19. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange difference arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency.

20. REVENUE

	Group		
	2018	2017	
	\$	\$	
Type of goods and services:			
Professional services	4,234,119	3,663,323	
Commission income	585,333	756,574	
Consultant service income	4,835,595	2,744,335	
Accounting services income	106,917	113,984	
Sales of goods	515,424	515,550	
Supply chain management subscriptions income	1,563,503	1,654,756	
Supply chain installation services	5,834	1,766	
	11,846,725	9,450,288	
Timing of revenue recognition;			
Goods transferred at a point in time	1,106,591	1,273,891	
Services transferred over time	10,740,134	8,176,397	
	11,846,725	9,450,288	

21. OTHER OPERATING INCOME

		Gro	up
		2018	2017
		\$	\$
	Interest income from current accounts	5,203	3,848
	Government grants – PIC cash payout	10,032	17,883
	- Wage credit scheme	1,963	1,155
	- Temporary employment credit	3,193	8,514
	 Special employment credit 	222	_
	- Others	2,526	1,482
	Management services	456,000	463,735
	Others	7,759	4,918
		486,898	501,535
22.	OTHER (CREDITS)/CHARGES		
	Allowance on expected credit losses	23,875	19,590
	Bad debt expenses - trade	· -	365
	Payable written back	(32,249)	_
	Reversal of allowance on impairment receivables - trade	(17,925)	(102,822)
	Foreign exchange adjustment, (gain)/loss	(112,406)	(51,135)
		(138,705)	(134,002)
23.	FINANCE COST		
	Other interest		3
24.	PROFIT BEFORE TAX		
	The profit before tax is arrived at after charging:		
	Consultation and professional fee	1,876,736	179,205
	Rental expenses	273,261	328,526
	Repair and maintenance	95,910	33,647
	Staff welfare	79,004	79,563
	Telecommunication	68,229	63,129
	Travelling and transportation	342,206	302,097

ECnet Limited and its Subsidiaries

(Co. Reg. No. 199609109E)

Notes to the Financial Statements - 31 December 2018

25. INCOME TAX EXPENSE

(i) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group		
	2018	2017	
	\$	\$	
Statement of comprehensive income:			
Current tax	4,676	4,995	
Tax overprovided in prior year	(3,742)	(3,446)	
Foreign tax paid	35,222	10,058	
	36,156	11,607	

(ii) Relationship between tax expense and accounting profit

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2018 and 2017 are as follows:

Profit before tax	976,971	931,169
Tax at domestic rates applicable to profit in the country where the Group operates	148,817	54,803
Tax effect of expenses that are not deductible in determining taxable profit	28,693	36,068
Tax overprovided in prior year	(3,742)	(3,446)
Tax effect of temporary differences not recognised	(172,834)	(85,876)
Foreign tax paid	35,222	10,058
Total tax expense	36,156	11,607

26. EMPLOYEE BENEFITS

Salaries, bonuses and others	7,893,413	3,722,524
Contribution to defined contribution plan	410,140	311,554
	8,303,553	4,034,078

27. OPERATING LEASE COMMITMENTS

The Group has entered into commercial leases mainly on office premise. These leases have an average life of between 2 and 5 years with no renewal option or contingent rent provision included in the contracts. There are no restriction placed upon the Group by entering into these leases.

ECnet Limited and its Subsidiaries

(Co. Reg. No. 199609109E)

Notes to the Financial Statements - 31 December 2018

27. OPERATING LEASE COMMITMENTS (continued)

Future minimum lease payments payable under non-cancellable leases as at 31 December are as follows:

	Group		
	2018 \$	2017 \$	
Within one year	244,730	295,216	
From two to five years	133,540	232,444	
	378,270	527,660	

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to \$273,011 (2017: \$354,494).

28. RELATED PARTY DISCLOSURES

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

(i) Significant related party transactions

	Gre	oup	Company		
	2018	2017	2018	2017	
	\$	\$	\$	\$	
Holding company R System International Limited Sub-contract expenses	1,066,898	699,160	1,066,898	699,160	
suo commune ompeniori	1,000,000	0,5,1,00			
Related companies					
Revenue	2,010,655	1,383,298	1,906,333	1,407,298	
Professional fee	456,000	470,438	456,000	470,438	
Sub-contract expenses	158,779		158,779	_	
Subsidiary					
Impairment of			1.004.700	004.670	
receivables	_	_	1,004,798	834,678	
Reversal of impairment	_		1,484,928	217,907	

Services income

The Company provided services, and recharged certain expenses based on specific identification to some of its subsidiaries. The total value recharged to these related parties during the year ended 31 December 2018 is \$485,823 (2017: \$703,189).

28. RELATED PARTY DISCLOSURES (continued)

(i) Significant related party transactions (continued)

Management fee received

The Company outsourced information technology and general administration services, which includes customer services and accounting support, to some of its subsidiaries. The cost of these services were supplied amounted \$558,212 (2017: \$461,212).

(ii) Compensation of key management personnel

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

	Group		
	2018	2017	
	\$	\$	
Directors' remuneration - Company	363,480	335,758	
Directors' remuneration - Subsidiaries	135,124	144,983	

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, foreign currency risk, interest rate risk and liquidity risk. The Group's risk management policies focus on the unpredictability of financial markets and seek to, where appropriate, minimise potential adverse effects on the financial performance of the Group. The Group does not have any written financial risk management policies and guidelines and there has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Group's exposure to the financial risks associated with financial instruments held in the ordinary course of business and the objectives, policies and processes for the management of these risks.

(i) Credit risk

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposures. Credit policies with guidelines on credit terms and limits set the basis for risk control. New customers are subject to credit evaluation while the Group continues to monitor existing customers, especially those with repayment issues. In addition, appropriate allowances are made for probable losses when necessary for identified debtors.

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

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

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

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit- impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is creditimpaired.	Lifetime ECL – credit- impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and has no realistic prospect of recovery.	Amount is written off

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

The tables below detail the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
Group					J.	Φ	Φ
2018							
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified approach)	1,255,581	(71,438)	1,184,143
Other receivables Contact assets	8 9	N.A. N.A.	Performing (a)	12m ECL Lifetime ECL (simplified approach)	161,804 503,310	(71,438)	161,804 503,310
2017							
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified approach)	1,216,787	(193,254)	1,023,533
Other receivables Contact assets	8 9	N.A. N.A.	Performing (a)	12m ECL Lifetime ECL (simplified approach)	91,885 351,782	(193,254)	91,885 351,782
Company							
2018							
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified approach)	578,844	(7,353)	571,491
Other receivables Contact assets	8 9	N.A. N.A.	Performing (a)	12m ECL Lifetime ECL (simplified approach)	42,203 48,006	(7,353)	42,302 48,006
2017						(1,122)	
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified	637,442	(18,391)	619,051
Other receivables Contact assets	8 9	N.A. N.A.	Performing (a)	approach) 12m ECL Lifetime ECL (simplified approach)	45,080 152,634	(18,391)	45,080 152,634

ECnet Limited and its Subsidiaries

(Co. Reg. No. 199609109E)

Notes to the Financial Statements - 31 December 2018

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

(a) For trade receivables and contract assets, the Group has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix (Note 6).

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet. No other financial assets carry a significant exposure to credit risk.

Credit risk concentration profile

At the end of the reporting period, there were no significant concentrations of credit risk due to the Group's many varied customers.

It is the Group's policy to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk.

(ii) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group operates and sells their products in several countries other than Singapore and transacts in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to United States Dollar (USD), Chinese Renminbi (RMB) and Malaysia Ringgit (RM).

Sensitivity analysis for foreign currency risk

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Foreign currency risk (continued)

	Profit before tax		
	2018	2017	
	\$	\$	
USD			
- strengthened 2% (2017: 8%)	16,841	15,579	
- weakened 2% (2017: 8%)	(16,841)	(15,579)	
RMB			
strengthened 3% (2017: 1%)	9,043	4,900	
- weakened 3% (2017: 1%)	(9,043)	(4,900)	
RM			
- strengthened 1% (2017: 2%)	11,239	12,066	
- weakened 1% (2017: 2%)	(11,239)	(12,066)	

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to market risk for changes in interest rates relates primarily to their interest-bearing debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts as well as by rolling over its borrowings on a short-term basis.

The sensitivity analysis for changes in interest rate is not disclosed as the effect of interest rate risk exposure is considered not significant.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group objective is to maintain a balance between continuity of funding and flexibility through the use of standby credit facilities.

The Group's liquidity risk management policy is to monitor its working capital projections, taking into account the available banking and other borrowings facilities of the Group, and ensuring that the Group has adequate working capital to meet obligations and commitments due.

The maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments are due within one year.

30. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

	Gro	up	Comp	oany
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets at amortised cost				
Trade receivables	1,184,143	1,023,533	571,491	619,051
Other receivables	161,804	128,690	42,203	45,080
Contract assets	503,310	351,782	48,006	152,634
Amounts due from holding				
company	12,564	5,512	12,564	5,512
Amounts due from				
subsidiary companies		_	1,158,576	1,056,263
Amounts due from related				
companies	210,029	601,985	206,604	588,996
Cash and cash equivalents	2,639,910	2,126,706	1,516,672	1,002,345
	4,711,760	4,238,208	3,556,116	3,469,881
Financial liabilities at amortised cost				
Trade payables	92,293	183,986	39,790	163,442
Other payables	454,993	210,694	359,947	149,758
Contract liabilities	197,826	725,902	189,701	700,126
Amounts due to a holding				
company	193,280	209,674	193,280	209,674
Amounts due to subsidiary				
companies		<u> </u>	18,872	130,353
	938,392	1,330,256	801,590	1,353,353

31. FAIR VALUE OF ASSETS AND LIABILITIES

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(i) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,
- Level 2 Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 Unobservable inputs for the asset or liability.

ECnet Limited and its Subsidiaries

(Co. Reg. No. 199609109E)

Notes to the Financial Statements - 31 December 2018

31. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(i) Fair value hierarchy (continued)

The Group has no financial instruments that are carried at fair value at the end of each reporting period.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Current trade and other receivables and payables (including amounts due from/(to) related companies), cash and cash equivalents, and accrued operating expenses.

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

32. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares, funding from holding company or obtain new borrowings.

The Group's overall strategy remains unchanged for 2018 and it is not subject to externally imposed capital requirements.

The Group monitors its cash flow, debt maturity profile and overall liquidity position on a continuous basis.

33. CONTINGENT LIABILITY FOR FINANCIAL SUPPORT

The Company has undertaken to provide financial support to one of its subsidiaries to enable it to operate as a going concern and to meet its obligations for a period of not less than twelve months from the date of the directors' statement.

34. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 30 January 2019.

COMPUTARIS INTERNATIONAL LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

COMPANY REGISTRATION NUMBER 06000234

COMPUTARIS INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018

COMPUTARIS INTERNATIONAL LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

CONTENTS	PAGES
Officers and professional advisers	2
Directors' report	3 and 4
Strategic Report	5 and 6
Directors' responsibilities statement	7
Independent auditor's report to the members of Computaris International L	imited 8 to 10
Consolidated income statement	11 .
Consolidated statement of comprehensive income	12
Consolidated statement of changes in equity	13
Company statement of changes in equity	14
Consolidated statement of financial position	15
Company statement of financial position	16
Consolidated statement of cash flows	17
Company statement of cash flows	18
Notes to the consolidated financial statements	19 to 50
The following pages do not form part of the financial statements	
Detailed profit and loss account	52
Notes to the detailed profit and loss account	53

COMPUTARIS INTERNATIONAL LIMITED OFFICERS AND PROFESSIONAL ADVISERS FOR THE YEAR ENDED 31 DECEMBER 2018

Company registration number

06000234

The board of directors

R M Rusu S S Rekhi

Registered office

11 Queens Road Brentwood Essex CM14 4HE United Kingdom

Current auditor

Deloitte LLP Statutory Auditor 1 New Street Square London EC4A 3HQ United Kingdom

Bankers

National Westminster

Brentwood 46 High Street Brentwood Essex CM14 4AN

Solicitors

Blake Lapthorn Watchmaker Court 33 St John's Lane

London EC1M 4DB

COMPUTARIS INTERNATIONAL LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and audited financial statements for the year ended 31 December 2018.

DIVIDENDS

The directors do not recommend the payment of any dividend (2017: €nil).

FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic Report on page 5.

EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events since the balance sheet date.

DIRECTORS

The directors set out in the table below have held office during the whole of this year from 1 January 2018 to the date of this report unless otherwise stated.

R M Rusu S S Rekhi

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The objective of the group's capital management is to ensure that it maintains strong credit ratings and capital ratios. This will ensure that the business is correctly supported and shareholder value is maximised.

Details of risk management policies used by the group can be found in note 13 to the financial statements.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The group's policy is to settle supplier accounts within 30 days of the invoice date.

GOING CONCERN

The Company and the Group's business activities, together with factors likely to affect its future development and its financial position, are described in the Strategic Report on page 5, along with its financial risk management policy and details of its exposure to risk.

The Group's financial statements have been prepared on a going concern basis. The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

INDEPENDENT AUDITOR

Deloitte LLP was appointed independent auditor for the year ended 31 December 2018 and in accordance with section 487 of the Companies Act 2006 have expressed their willingness to continue in office as auditor.

COMPUTARIS INTERNATIONAL LIMITED

DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

DISCLOSURE OF INFORMATION TO AUDITOR

Each person who is a director at the date of approval of this report confirm that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

DIRECTORS' INDEMNITY

As permitted by the Articles of Association, each of the Directors has the benefit of an indemnity, which is a qualifying third-party indemnity as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the tenure of each Director during the last financial year, and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Approved by the board on 4 February 2019 and signed on its behalf by

R M Rusu Director

COMPUTARIS INTERNATIONAL LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report for the year ended 31 December 2018.

The purpose of the strategic report is to inform members of the company and help them assess how the directors have performed their duty under s172 (duty to promote success of the company).

PRINCIPAL ACTIVITY

The Group's principal activity continues to be providers of real time communication software solutions and associated services. The directors are not aware, at the date of this report, of any likely major changes in the Group's principal activities in the next year.

REVIEW OF THE BUSINESS

The results for the year are set out on page 11. The following financial analysis includes an exceptional item of circa €784k included in administration expenses relating to the reversal of a prior year provision as set out in note 4 to the financial statements.

The Group has seen an increase in turnover in 2018 of 6.9%, and due to projects at improved margins the gross profit margin percentage has increased from 17.9% to 32%. The increase in turnover and the gross profit margin percentage improvement has resulted in a return to profitability of €1.1m and a net profit before tax percentage of 8.8% compared to a loss in 2017 of nearly €1.4m. The return to profitability was achieved by maintaining an administration expenses percentage of 29%. Although trading conditions remain difficult in a highly competitive market the directors are confident of continued profitability. The directors believe adequate finance is available to take advantage of business opportunities and consider, in the current economic climate, the state of affairs to be satisfactory.

The Group operates geographically through subsidiaries in Romania, Poland, Moldova, Malaysia and Philippines. During the year the USA subsidiary was dissolved, due to other USA presence within the parent R Systems group, and a subsidiary was established in Switzerland although no trading activity had commenced by the year end. The Polish subsidiary incurred a loss of €977k in 2017 which specifically related to provisions on projects with a particular customer, however this was carefully controlled resulting in a return to profitability in 2018. The Romanian subsidiary had a successful 2017 due to obtaining a substantial new client and increasing turnover to 3rd parties over the past three years from €500k, (2016), to €2m, (2017) and to nearly €3m in 2018. The Philippine subsidiary currently operates at low levels in respect of providing services to customers outside the group but continue to support the UK parent whereas the subsidiaries in Moldova and Malaysia currently only provide support to the UK parent.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management is integrated into the process of planning and performance measurement and involves management of R Systems International Limited, the parent company. The principal risks identified including currency, market, credit and liquidity are disclosed in Note 13.

The terms and impact of the UK's proposed departure from the European Union ("Brexit") remains uncertain and hard to predict. However, the company has considered the potential impact on the business and analyzed the "worst case" scenario of a hard/no deal Brexit and in such case the company believes that the impact will not be significant due to the fact that very few of the Group's economic activities are carried out in the UK. For the software services delivered by the group subsidiaries (Poland, Romania, Moldova) to UK, the fiscal treatment is likely to remain unchanged. Some changes might apply to taxes related to payments of dividends from subsidiaries (Romania and Poland) to the UK.

FUTURE DEVELOPMENTS

The Directors consider that the forthcoming financial year will still be another year of difficult trading conditions with increased competition and tighter margins. There are good prospects and their aim is to continue to implement the management policies which have been introduced in recent years and which have assisted in successfully overcoming the difficulties and uncertainties in the market place.

COMPUTARIS INTERNATIONAL LIMITED

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

KEY PERFORMANCE INDICATORS

The Directors monitor the group's performance by reviewing revenue and profit on project by project and overall country basis. The revenue and profit for the year ended 31 December 2018 is set out on page 11. The directors monitor the current order book and potential pipeline to plan for the future resource requirements of the Group.

Approved by the board on . # February 2019, and signed on its behalf by

R M Rusu Director

COMPUTARIS INTERNATIONAL LIMITED DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMPUTARIS INTERNATIONAL LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2018

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Computaris International Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- · the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statement of cash flows; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties
 that may cast significant doubt about the group's or the parent company's ability to continue to
 adopt the going concern basis of accounting for a period of at least twelve months from the date
 when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMPUTARIS INTERNATIONAL LIMITED (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 ISAs (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMPUTARIS INTERNATIONAL LIMITED (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report and the Directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- · certain disclosures of directors' remuneration specified by law are not made; or
- · we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter McDermott, FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

7 February 2019

COMPUTARIS INTERNATIONAL LIMITED CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

*	Notes		31.12.2018 €	31.12.2017 €
Revenue	. 3		12,893,851	12,057,214
Cost of sales			(8,761,759)	(9,901,425)
GROSS PROFIT			4,132,092	2,155,789
Other operating income Administrative expenses		*	20,995 (3,021,690)	1,103 (3,535,514)
OPERATING PROFIT/(LOSS)	4		1,131,397	(1,378,622)
Income from investments	7		990	946
PROFIT/(LOSS) BEFORE TAX			1,132,387	(1,377,676)
Income tax expense	8		(196,854)	(72,515)
PROFIT/(LOSS) FOR THE YEAR			935,533	(1,450,191)
			40	

All results derive from continuing operations.

COMPUTARIS INTERNATIONAL LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	31.12.2018 €	31.12.2017 €
PROFIT/(LOSS) FOR THE YEAR	935,533	(1,450,191)
OTHER COMPREHENSIVE INCOME/(LOSS) Exchange differences on translation of foreign operations	70,791	(110,096)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	70,791	(110,096)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	1,006,324	(1,560,287)

COMPUTARIS INTERNATIONAL LIMITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

Attributable to equity holders of the company blance at 1 January 2018 Balance at 1 January 2018 Currency translation differences Currency translation differences Currency translation differences Transfer (from) retained earnings Currency translation differences Transfer (from) retained earnings Transfer (from) retained earnings Currency translation differences Transfer (from) retained earnings Transfer (from) retained ea	***		Leemon			
retained earnings on differences on differences retained earnings on differences retained earnings syear recognised directly in equity ons for the year retained earnings retained earnings retained earnings retained earnings retained earnings retained earnings retained earnings retained earnings retained earnings rear recognised directly in equity oss for the year (11,0,096) retained earnings rear recognised directly in equity oss for the year (36,677) retained earnings rear recognised directly in equity oss for the year (11,194,087)	Attributable to equity holders of the company		share capital	Other reserves	Retained earnings E	Total equity
syear recognised directly in equity — 597,732 — 597,732 — 597,732 — 1	Balance at 1 January 2018 Currency translation differences Transfer (from)/to retained earnings	*	74	*	. 2	3,688,374 70,791
Issued Share capital Share capital Fig. 1,230,764 1,230,764 1,230,764 1,104,096) 1,194,087 1,194,087	Total profit for the year recognised directly in equity Profit for the year	K	•	597,732	I ,	70,791
Issued share capital Other reserves Retained e $\frac{\epsilon}{\epsilon}$ 747	Total recognised loss for the year Balance at 31 December 2018		74		1 11	1,006,324
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	Attributable to equity holders of the company		Issued share capital E	Other reserves ϵ	Retained earnings	Total equity
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	Balance at 1 January 2017 Currency translation differences Transfer to/(from) retained earnings	×	74	1,		5,248,661 (110,096)
747 1,194,087	Total loss for the year recognised directly in equity Loss for the year Total recognised loss for the year			(36,677)	$ \begin{array}{c} (73,419) \\ (1,450,191) \\ (1,523,610) \end{array} $	(110,096) (1,450,191) (1,560,287)
	Balance at 31 December 2017	40	74	· ·	2,493,540	3,688,374

The notes on pages 19 to 50 form part of these financial statements.

COMPUTARIS INTERNATIONAL LIMITED COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

Attributable to equity holders of the company	Issued share capital E	Other reserves	Retained earnings	Total equity
Balance at 1 January 2018 Loss for the year	747	168	2,984,804 (18,413)	2,985,719 (18,413)
Total recognised loss for the year Balance at 31 December 2018	747	168	(18,413)	(18,413)
Attributable to equity holders of the company	Issued			
Balance at 1 January 2017	share capital E 747	Other reserves £ 168	Retained earnings € 3,715,997	T ₀
Loss for the year Total recognised loss for the year		1	(731,193) (731,193)	$\frac{(731,193)}{(731,193)}$
Balance at 31 December 2017	747	168	2,984,804	2,985,719

The notes on pages 19 to 50 form part of these financial statements.

COMPUTARIS INTERNATIONAL LIMITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	31.12.2018 €	31.12.2017 €
ASSETS		C	·
NON CURRENT ASSETS			
Property, plant and equipment	10	325,610	270,748
Intangible assets	11	38,112	148,125
Deferred tax assets	21	-	73,533
		363,722	492,406
			<u></u>
CURRENT ASSETS		# Dog 2000	
Inventories	15	13,155	10,351
Tax recoverables		31,418	62,518
Trade and other receivables	16	4,187,539	3,800,170
Prepayments	17	159,005	83,912
Cash and cash equivalents	18	1,807,599	2,428,020
		6,198,716	6,384,971
TOTAL ASSETS		6,562,438	6,877,377
EQUITY AND DESERVES			
ISSUED CAPITAL AND RESERVES	19	747	747
Issued share capital	20	597,732	1,194,087
Other Reserves Retained profits	20	4,096,219	2,493,540
TOTAL EQUITY		4,694,698	3,688,374
NON-CURRENT LIABILITIES Deferred tax	21	3,142	3,353
CURRENT LIABILITIES			
Deferred income		465,333	670,260
Tax payables		139,741	70,285
Trade and other payables'	22	1,259,524	2,445,105
		1,864,598	3,185,650
TOTAL EQUITY AND LIABILITIES		6,562,438	6,877,377

R M Rusu, Director

Company registration number: 06000234

COMPUTARIS INTERNATIONAL LIMITED COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	31.12.2018 €	31.12.2017 €
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	10		-
Intangible Assets	11		111,042
Investments	12	222,937	205,928
	4	222,937	316,970
	*		
CURRENT ASSETS	£		44,996
Tax recoverables	12	3,520,277	2,788,630
Trade and other receivables	16	110,717	47,245
Prepayments	17	941,414	1,045,521
Cash and cash equivalents	18		
		4,572,408	3,926,392
TOTAL ASSETS		4,795,345	4,243,362
EQUITY	*	74	
ISSUED CAPITAL AND RESERVES	19	747	747
Issued share capital	20	168	168
Other Reserves Retained profits	20	2,966,391	2,984,804
TOTAL EQUITY		2,967,306	2,985,719
CURRENT LIABILITIES		2/01/2	465.067
Deferred income		368,143	465,967
Tax payables	22	1,459,896	791,676
Trade and other payables	LL	1,828,039	1,257,643
TOTAL EQUITY AND LIABILITIES		4,795,345	4,243,362

The Company reported a loss for the financial year ended 31 December 2018 of €18,413 (2017: loss of €731,193)

E731,193)
Approved by the Board and authorised for issued on February 2019 and signed on its behalf by

R M Rusu, Directo

Company registration number: 06000234

COMPUTARIS INTERNATIONAL LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	31.12,2018 €	31.12.2017 €
CASH FLOWS FROM OPERATING ACTIVITIES	U	C
Profit/(Loss) for the year ADJUSTMENTS TO RECONCILE TO PROFIT FROM	935,533	(1,450,191)
OPERATIONS	**	.#
Interest income	(990)	(946)
	934,543	(1,451,137)
NON-CASH ADJUSTMENTS	204,543	(1,431,137)
Depreciation	178,070	182,767
Amortisation of other intangible non-current assets	189,682	244,773
Profit on disposal of fixed assets	(2,897)	(1,980)
Recognition of deferred tax asset/liability (net)	77,572	(35,591)
	442,427	389,969
CASH FLOWS BEFORE CHANGES IN WORKING CAPITAL	1,376,970	(1,061,168)
INCREASE IN WORKING CAPITAL	f	
(Increase)/Decrease in inventories	(2,804)	1,549
(Increase)/Decrease in trade and other receivables	(370,191)	742,221
(Increase)/Decrease in prepayments	(75,093)	32,016
Decrease in trade and other payables	(816,534)	(265, 178)
Decrease in deferred income	(204,927)	(254,649)
(Decrease)/Increase in accruals	(385,343)	345,295
Increase in tax payable	119,282	69,350
	(1,735,610)	670,604
CASH USED IN OPERATIONS	(358,640)	(390,564)
Income taxes paid	(19,609)	(139,635)
NET CASH USED IN OPERATING ACTIVITIES	(378,249)	(530,199)
CASH FLOWS USED IN INVESTING ACTIVITIES	,	,
Payments to acquire property, plant and equipment	(241,670)	(237,819)
Payments to acquire intangible assets	(79,498)	(57,855)
Proceeds from sale of fixed assets	14,323	2,513
Interest received, classified as investing	990	639
	(305,855)	(292,522)
NET CASH FLOWS	(684,104)	(822,721)
Cash and cash equivalents as at 1 January	2,428,020	3,363,276
Net foreign exchange difference	63,683	(112,535)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	1,807,599	2,428,020

The notes on pages 19 to 50 form part of these financial statements.

COMPUTARIS INTERNATIONAL LIMITED COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	31.12.2018 €	31.12.2017 €
CASH FLOWS FROM OPERATING ACTIVITIES	E	E
Total operating Loss	(18,413)	(731,193)
ADJUSTMENTS TO RECONCILE TO PROFIT FROM OPERATIONS		
Interest income	(4,954)	(307)
Dividend income	(103,215)	-
	(126,582)	(731,500)
NON-CASH ADJUSTMENTS Depreciation	*	451
Amortisation of other intangible non-current assets	111,042	167,184
improved of other mangiore non current assets		
	111,042	167,635
CASH FLOWS BEFORE CHANGES IN WORKING CAPITAL	(15,540)	(563,865)
INCREASE IN WORKING CAPITAL		
(Increase)/Decrease in trade and other receivables	(731,647)	672,294
(Increase)/Decrease in prepayments	(63,472)	18,683
Increase/(Decrease) in trade and other payables	357,979	(703,164)
Decrease in deferred income	(97,824)	(367,473)
Increase/(Decrease) in accruals Decrease in tax payable	310,241	(47,851)
Decrease in tax payable	-	(44,718)
	(224,723)	(472,229)
CASH USED IN OPERATIONS	(240,263)	(1,036,094)
Income taxes received/(paid)	44,996	(48,778)
NET CASH USED IN OPERATING ACTIVITIES	(195,267)	(1,084,872)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received, classified as investing	4,954	·
Increase in investment in subsidiaries	(17,087)	-
Disposal of investment in subsidiary	78	70
Dividend received	103,215	
	91,160	-v
NET CASH FLOWS	(104,107)	(1,084,872)
Cash and cash equivalents as at 1 January	1,045,521	2,130,393
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	941,414	1,045,521

The notes on pages 19 to 50 form part of these financial statements.

1. STATEMENT OF COMPLIANCE WITH IFRS

Computaris International Limited is a private company limited by shares incorporated in the United Kingdom under the companies Act 2006 and registered in England & Wales.

The address of the registered office is 11 Queens Road, Brentwood, Essex, CM14 4HE United Kingdom.

Basis of preparation

The group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

The group's financial statements have been prepared under the historical cost convention.

The principal accounting policies adopted by the group are set out in note 2.

Going concern

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current cash reserves and as such have prepared the accounts on a going concern basis.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. ACCOUNTING POLICIES

Basis of consolidation

The results of operations of subsidiary undertakings are included in the consolidated financial statements as from the date of acquisition, which is the date on which control of the acquired subsidiary is effectively transferred to the buyer. The results of operations of subsidiary undertakings disposed of are included in the consolidated income statement until the date of disposal which is the date on which the parent ceases to have control of the subsidiary undertaking. Intragroup balances and intragroup transactions and resulting unrealised profits are eliminated in full. Unrealised losses resulting from intragroup transactions are also eliminated unless cost can be recovered.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

2. ACCOUNTING POLICIES (continued)

Revenue recognition

The Group recognises revenue from the following major sources:

- Client software solution
- Maintenance and support

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Client software solution

The Group undertakes the provision and installation of various real time software products in the communication industry. These are contracted on a fixed-price or time and material based contracts. Such services are recognised as a performance obligation satisfied over time since they are bespoke to customer's requirements. The services cannot be separated into distinct performance obligations. Revenue for time and material based contract is recognised based on time incurred for providing the services. Revenue for fixed-price contract is recognised for these services based on the stage of completion of the contract, using the input method. The directors have assessed that the stage of completion determined as the proportion of the total time expected to provide the product that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under IFRS 15.

Maintenance and support

Maintenance and support revenue is made up of fixed payments of certain levels for support made available for customers. This is normally a single performance obligation which is consumed by customer as it is provided. The maintenance and support revenue is therefore generally recognised on a straight-line basis over the period of the contract.

Interest income

Interest income is accrued on a time basis and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Interest expense recognition

Expense is recognised as interest accrues, using the effective interest method, to the net carrying amount of the financial liability.

Foreign currency exchange

The group's financial statements are prepared in Euros which is also the parent company's functional currency. The exchange rate used in retranslating Pounds Sterling and American Dollar assets and liabilities at the financial position date was 0.898 (2017 - 0.889) and 1.144 (2017 - 1.20) respectively.

Transactions in currencies other than the functional currency of the group are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

2. ACCOUNTING POLICIES (continued)

Foreign currency exchange (continued)

Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the group's overseas operations are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except for items that are recognised directly in equity or in other comprehensive income.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the temporary differences reverse, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition or production cost less accumulated depreciation and impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following basis:

Leasehold property improvements 1 - 6 years Property, Plant and equipment 2 - 5 years

2. ACCOUNTING POLICIES (continued)

Intangible assets

Non-internally generated intangible assets

Intangible assets acquired separately from a business are capitalised at cost.

The carrying value of intangible assets are reviewed for impairment on an annual basis for events or changes in circumstances that indicate that the carrying value may not be recoverable.

Intangible assets are stated at cost or fair value on recognition less accumulated amortisation and any impairment in value.

Amortisation is calculated so as to write off the cost or valuation of intangible assets over their estimated useful lives, using the straight-line method, on the following bases:

Software, licences etc;

1 - 3 years

Intellectual Property

3 years

Customer Contract

Over the period of respective customer contract

Leases

Rentals payable under operating leases are charged to the income statement in equal annual amounts over the period of the leases.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs comprise direct materials, and where applicable, purchase cost, cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs that have been incurred in bringing the inventories to their present location and condition and are determined on a first in first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Share capital

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

Legal and statutory reserve

The legal and statutory reserves are classified as equity. The legal and regulatory reserves are created and adjusted based on profit by transfer from retained earnings according to the local applicable laws and statutory regulations in the subsidiary jurisdictions.

Impairment

Financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables and accrued income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and accrued income. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

(ii) Definition of default

The Group considers that default has occurred when a financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

2. ACCOUNTING POLICIES (continued)

Impairment (continued)

Financial assets (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Non-financial assets

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

The recoverable amount of an asset or its cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

Provisions

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2. ACCOUNTING POLICIES (continued)

Critical accounting judgments and key sources estimation uncertainty

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences, management expertise and other contributing factors, the results which form the basis of making judgments about the carrying value of assets and liabilities that may not be readily apparent from other sources. Actual results may differ from these estimates.

Key sources of estimation uncertainty

Anticipated cost to complete revenue-generating projects

Project profitability is estimated at a project's inception based on the agreed contractual value and budgeted total costs. Profitability is then reviewed and reassessed on a regular basis by management, with adjustments made to budgeted costs if necessary. Amendments to estimated costs to complete a project can impact the amount of profit recognised in a given period.

Variations from contracted revenue is only recognised when it is probable that the revenue variation will be certified by the client and approved and the amount that will be approved can be measured reliably.

Critical accounting judgments

There are no judgments that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Group has elected not to restate comparatives in respect of the classification and measurement of financial instruments. Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities:
- 2) Impairment of financial assets; and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

2. ACCOUNTING POLICIES (continued)

New and amended IFRS Standards that are effective for the current year (continued)

Impact of initial application of IFRS 9 Financial Instruments (continued)

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have not been restated.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the
 contractual cash flows, and that have contractual cash flows that are solely payments of principal
 and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the
 contractual cash flows and to sell the debt instruments, and that have contractual cash flows that
 are solely payments of principal and interest on the principal amount outstanding, are measured
 subsequently at fair value through other comprehensive income (FVTOCI); and
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings. Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

2. ACCOUNTING POLICIES (continued)

New and amended IFRS Standards that are effective for the current year (continued)

Impact of initial application of IFRS 9 Financial Instruments (continued)

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

- (1) Debt investments measured subsequently at amortised cost or at FVTOCI;
- (2) Lease receivables;
- (3) Trade receivables and contract assets; and
- (4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

For the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. 1 January 2018), the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2017.

The application of the IFRS 9 impairment requirements has not resulted in additional loss allowance to be recognised in year ended 31 December 2018 as the impact is not material.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

2. ACCOUNTING POLICIES (continued)

New and amended IFRS Standards that are effective for the current year (continued)

Impact of initial application of IFRS 9 Financial Instruments (continued)

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities as there are no financial liabilities designated at FVTPL.

(d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

The application of the IFRS 9 hedge accounting requirements has had no other impact on the results and financial position of the Group for the current and/or prior years as there are no hedge accounting within the Group.

(e) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The application of IFRS 9 has had no impact on the consolidated cash flows of the Group.

2. ACCOUNTING POLICIES (continued)

New and amended IFRS Standards that are effective for the current year (continued)

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has not adopted the terminology used in IFRS 15 to describe such balances.

The Group's accounting policies for its revenue streams are disclosed in detail in note 2 below. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

New and revised IFRS in issue but not yet effective

IFRS 16 Leases

On 13 January 2016, the International Accounting Standards Board issued the final version of IFRS 16, Leases. IFRS 16 will replace the existing leases Standard, IAS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of comprehensive income. The Standard also contains enhanced disclosure requirements for lessees. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. The effective date for adoption of IFRS 16 is annual periods beginning on or after 1 January 2019, though early adoption is permitted for companies applying IFRS 15 Revenue from Contracts with Customers. The Group is currently evaluating the requirements of IFRS 16 and the impact on the consolidated financial statements.

2. ACCOUNTING POLICIES (continued)

New and revised IFRS in issue but not yet effective (continued)

The Company has not yet applied the following new and revised IFRS that have been issued but are not yet effective:

New and revised IFRSs

Effective for annual periods beginning on or after

Annual Improvements to IFRS Standards 2015 - 2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.

1 January 2019

IFRIC 23 Uncertainty over Income Tax Treatments

1 January 2019

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

The effect of changes in facts and circumstances.

Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

1 January 2019

IFRS 16 Leases

1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 17 Insurance Contracts

1 January 2021

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred indefinitely

2. ACCOUNTING POLICIES (continued)

New and revised IFRS in issue but not yet effective (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments should have no material impact on the financial statements of the Company in the year of initial application.

3. REVENUE

		31.12.2018 €	31.12.2017 €
	Rendering of services	12,893,851	12,057,214
	The group derives revenue from contracts with customers for the time in the following major income streams.	ransfer of goods a	and services over
	Maintenance and support	3,770,245	3,736,741
	Client software solution	9,123,606	8,320,473
		12,893,851	12,057,214
4.	OPERATING PROFIT/(LOSS)	*	
	Operating profit is stated after charging/(crediting) the following:		
	Depreciation of property, plant and equipment	178,071	182,767
	Amortisation of intangible assets	189,682	244,773
	Profit on disposal of fixed assets	(2,897)	(1,980)
	Operating leases – Land and buildings	555,584	500,289
	Reversal of contract penalty provision (see below)	(784,321)	
	Net foreign currency differences	31,764	135,313
	Included in cost of sales:		
	Employee benefits expense	5,730,773	5,685,996
	Included in administrative expenses:		
	Employee benefits expense	1,492,378	1,287,396
	Depreciation and amortisation	367,752	427,540
	Net foreign currency exchange	31,764	135,313
	Reversal of contract penalty provision (see below)	(784,321)	155,515
	, Francisco (2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2	(, 5.,521)	

Reversal of contract penalty provision

During the year ended 31 December 2012, the Company received a claim for a penalty from one of its customers and recorded a provision of €784,321 in respect of this claim. The Company had subcontracted a certain part of its scope of services to one of its vendors and on the basis of the contractual terms, has claimed an equivalent amount from the vendor. However, pending acceptance of the claim, the recoverable amount claimed from the vendor had not been recorded in previous financial statements and due to being time barred has now been removed without effect on the financial statements. The provision in respect of the penalty claim received from the customer has also been reversed in the year to 31 December 2018 due to it being time—barred. This result in a credit of €784,321 has been included in administration expenses where the claim was originally expensed.

1,850,249

1,107,573

COMPUTARIS INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2018

4.	OPERATING PROFIT/(LOSS) (continued)		
	Auditor's remuneration		
	Company	V	
	Audit of Financial Statements	18,636	10,170
	Audit related services	20,563	14,926
	Non-audit services	6,892	5.1
		46,091	25,096
	Subsidiaries		
	Audit of Financial Statements	9,000	16,012
	Audit related services	27,661	
	Non-audit services	,	14,187
		36,661	52,464
1			- 1
5.	EMPLOYEE EXPENSES	21 12 2010	21 12 2017
		31.12.2018	31.12.2017
	Wagas and salarias	€	€
	Wages and salaries	6,810,133	5,790,434
	Other employee benefits	30,910	37,271
	Social security costs	382,107	1,151,687
		7,223,150	6,979,392
	The average monthly number of employees during the year was	made up as follov	vs:
		31.12.2018	31.12.2017
		No.	No.
	Administration and management	5	5
	Production	195	195
		200	200
		-7	
	Key management personnel compensation	4	
	Remuneration for directors included in staff costs above compris		21 12 2017
160	Develophic Common Lists of	31.12.2018	31.12.2017
	Receivable from subsidiaries:	€	€
	Short-term employee benefits	172,129	110,821
_			
6.	DIRECTORS' REMUNERATION		4
		31.12.2018	31.12.2017
		€	. €
	Receivable from subsidiaries:		
	Short-term employee benefits	172,129	110,821
7.	INCOME FROM INVESTMENTS		
		74 48 8040	21 12 2015
		31.12.2018	31.12.2017
	Interest council on loons and describe	€	€
	Interest earned on loans and deposits	990	946
		· ·	1

8. INCOME TAX

Components of income tax expense	31.12.2018 €	31.12.2017 €
Income tax expense		
Current income tax charge	141,050	66,180
(Over)/Under provision in respect of prior years	(21,768)	41,926
	119,282	108,106
Deferred tax	,	98-
Current deferred tax credit	26,238	(38,194)
Under provision in respect of prior years	51,334	2,603
	77,572	(35,591)
Income tax expense reported in income statement	196,854	72,515
Reconciliation of income tax charge to accounting profit		
	31.12.2018	31.12.2017
	$oldsymbol{\epsilon}$	$oldsymbol{\epsilon}$
Profit/(loss) before tax	1,132,387	(1,377,676)
		-
Tax at the domestic income tax rate of 19% (31.12.2017 - 19.25%)	215,154	(265,202)
Tax effect from (over)/under provisions in prior periods	(21,768)	41,926
Tax effect of deferred tax under provision in prior periods	51,334	2,603
Tax effect of rates in other jurisdictions	(11,149)	(32,932)
Tax effect of capital allowances	(33,452)	(34,126)
Income not subject to income tax	(112,013)	(33,801)
Tax effect of non-deductible expenses	234,054	108,727
Loss relief carried back	-	(3,318)
Loss relief carried forward	11,639	78,493
Other relief	(6,889)	(12,560)
Deferred tax not récognised due to uncertainty	(130,056)	231,517
Under provision of tax expense in current year	NEW TOTAL PROPERTY OF THE PROP	(0.012)
		(8,812)

Finance (No.2) Act 2015 which received royal assent on 18 November 2015 enacted a corporation tax rate of 19% from 1 April 2017 and a rate of 18% from 1 April 2020. A further change to reduce the rate of corporation tax to 17% from 1 April 2020 was announced in Finance Act 2016 and as this change was enacted on 15 September 2016 deferred tax has been calculated based on a rate of 17%.

9. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent's loss for the financial year was €18,413 (2017: loss €731,193).

10. PROPERTY, PLANT AND EQUIPMENT

	Group	2			
	At 31 December 2018		Leasehold Improvements	Plant and equipment	Total
	THE DECEMBER 2015		improvements	equipment	€
	Cost			The second	-1 14
	At 1 January 2018		50,530	719,331	769,861
	Additions		27,884	213,787	241,671
	Disposals		(21,669)	(91,414)	(113,083)
	Foreign currency exchange				
	differences		977	2,512	3,489
	At 31 December 2018	* 7	57,722	844,216	901,938
	Depreciation				
	At 1 January 2018		(26,739)	(472,374)	(499,113)
	Charge for period		(11,834)	(166,237)	(178,071)
	Elimination on disposals	5	20,928	81,014	101,942
	Foreign currency exchange		20,720	01,014	101,542
	differences		(4)	(1,082)	(1,086)
	At 31 December 2018		(17,649)	(558,679)	576,328
	Net book value				
	At 1 January 2018		23,791	246,957	270,748
	At 31 December 2018		40,073	285,537	325,610
	Group				33
			Leasehold	Plant and	
	At 31 December 2017		Improvements	equipment	Total
			ϵ	€	€
	Cost		0.20209200220		17
	At 1 January 2017		30,169	567,810	597,979
	Additions	*	20,996	216,823	237,819
	Disposals		<u>∵=</u>	(64,984)	(64,984)
	Foreign currency exchange differences		(625)	(218)	(0.52)
	differences		(635)	(318)	(953)
	At 31 December 2017		50,530	719,331	769,861
	Depreciation			*	
	At 1 January 2017		(23,447)	(355,323)	(378,770)
	Charge for period		(3,793)	(178,974)	(182,767)
3	Elimination on disposals		-	64,452	64,452
	Foreign currency exchange				
	differences		501	(2,529)	(2,028)
	At 31 December 2017		(26,739)	(472,374)	(499,113)
	Net book value				
	At 1 January 2017		6,722	212,487	219,209
	At 31 December 2017		23,791	246,957	270,748
					2.3

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Company		DI .
At 31 December 2018		Plant and equipment
Cost		
At 1 January 2018 and	9 9	
31 December 2018		11,862
Depreciation	* y	
At 1 January 2018 and	8 9	
31 December 2018		(11,862)
Net book value		
At 1 January 2018		
At 31 December 2018		9
		C.
Company		Plant and
At 31 December 2017		equipment
		£
Cost	to a	
At 1 January 2017 and		
31 December 2017		11,862
		3
Depreciation		90.00
At 1 January 2017		(11,411)
Charge for year		(451)
At 31 December 2017		(11,862)
N		
Net book value		
At 1 January 2017	0 4	451
At 21 December 2017		
At 31 December 2017		

11.	INTANGIBLE ASSETS

INTANGIBLE ASSETS				
Group At 31 December 2018		Software	Customer Contract/ Intellectual Property	Total
C	18	£	£	£
Cost At 1 January 2018 Additions		333,389 79,498	567,382	900,771
Disposals Foreign currency exchange differences		(8,324) 4,035		(8,324) 4,035
At 31 December 2018		408,598	567,382	975,980
		408,398	307,382	973,980
Amortisation At 1 January 2018		(296,306)	(456,340)	(752,646)
Charge for period		(78,640)	(111,042)	(189,682)
Elimination on disposals Foreign currency exchange		8,040		8,040
differences		(3,580)	-	(3,580)
At 31 December 2018		(370,486)	(567,382)	937,868
Net book value				
At 1 January 2018		37,083	111,042	148,125
At 31 December 2018		38,112		38,112
Group			Customer Contract/	
Group			Intellectual	
At 31 December 2017		Software £	Property £	Total £
Cost	,			. (
At 1 January 2017 Additions		280,930 57,855	567,382	848,312 57,855
Foreign currency exchange				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
differences		(5,396)		(5,396)
At 31 December 2017		333,389	567,382	900,771
Amortisation				
At 1 January 2017		(223,126)	(289,156)	(512,282)
Charge for period Foreign currency exchange		(77,589)	(167,184)	(244,773)
differences		4,409	-	4,409
At 31 December 2017		(296,306)	(456,340)	(752,646)
Net book value		D:	Server	
At 1 January 2017		57,804	278,226	336,030
At 31 December 2017		37,083	111,042	148,125
		-	1	-

11. INTANGIBLE ASSETS (continued)

Intangible assets

On 7 August 2015, Computaris International Limited entered into an Assets Purchase Agreement (APA) for acquisition of certain customer contracts and related intellectual property rights from the subsidiary of a leading European telecommunication company for a maximum consideration of Euro 0.70 million on fulfilment of certain conditions.

The Company completed the aforesaid business acquisition effective October 1, 2015. The purchase price for the assets acquired amounts to €567,382. The total purchase consideration has been allocated based on fair value to the following assets:-

Amortisation period

Name of the assets	Amount in Euro
Customer Contract	€234,250
Intellectual Property Rights	€333,132

The aforesaid assets acquired are amortized on the following basis:

Customer Contract Intellectual Property Rights	Over the period of respective 3 years	customer contract
The Company		Customer
At 31 December 2018		Contract/ Intellectual Property €
Cost At 1 January 2018 and 31 December 2018		567,382
Amortisation At 1 January 2018 Charge for period		(456,340) (111,042)
At 31 December 2018		(567,382)
Net book value At 1 January 2018		111,042
At 31 December 2018		

11. INTANGIBLE ASSETS (continued)

The Company				
At 31 December 2017			× '	Customer Contract/ Intellectual
				Property €
Cost				
At 1 January 2017				559,257
Foreign currency exchange differences			•	8,125
At 31 December 2017	*			567,382
Amortisation	*			
At 1 January 2017				(289,156)
Charge for period				(167,184)
At 31 December 2017		¥		(456,340)
Net book value				*

270,101

111,042

12. INVESTMENT IN SUBSIDIARIES

At 1 January 2017

At 31 December 2017

Shares in Gro	up undertaki	ings	1.0		Subsidiary undertakings
Cost					€
At 1 January 20	018			200	205,928
Additions				- Œ	17,087
Disposals	*			,	(78)
				*	
At 31 December	er 2018				222,937

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

12. INVESTMENT IN SUBSIDIARIES (continued)

The principal direct subsidiaries of the company are:

Name Committee Domenia	Principal activity	Country of incorporation	% Inte rest 31.12.2018	% Interest 31.12.2017	Registered address
S.R.L.	Computer services	Romania	100%	100%	010442, Romania
Computaris Polska sp	Computer services	Poland	100%	100%	al. Jana Pawla II 80, 00-175 Warsaw, Poland
Computaris International S.R.L.	Computer services	Moldova	100%	100%	Vlaicu Pircalab Street, No 63, Et. 8, Oficiu B, MD – 2012, Sky Tower Business Center Chisinau, Republica Moldova;
Computaris Malaysia SDN. BHD.	Computer services	Malaysia	100%	100%	No. 1005, Level 10 Block B, Phileo Damansara 1, 9 Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor, Malaysia.
Computaris USA Inc	Computer services	USA	Dissolved	. 100%	5000, Windplay Drive, Suite 5, El Dorado Hills, CA 95762, U.S.A
Computaris Philippines Pte. Ltd. Inc	Computer services	Philippines	100%	100%	21B Rufino Pacific Tower, 6784 Ayala Avenue, corner V.A. Rufino Street, Legaspi Village Makati City, 1226 Philippines.
Computaris Switzerland LLC	Computer services	Switzerland	100%	N/A	Rue du Trésor 9, Neuchâtel, 2000, Switzerland

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

The Group has the following categories of financial instruments at the balance sheet date:

Group	×	31.12.2018 €	31.12.2017 €
Financial assets		C	
Trade and other receivables		4,053,503	3,595,802
Cash and cash equivalents		1,807,599	2,428,020
Financial liabilities			
Trade and other payables		(981,467)	(2,211,136)
Company	4	31.12.2018	31.12.2017
		ϵ	€
Financial assets			
Trade and other receivables		3,509,546	2,778,365
Cash and cash equivalents		941,414	1,045,521
Financial liabilities			
Trade and other payables		(1,459,896)	(791,676)

Capital risk management

The group aims to manage its overall capital so as to ensure the group continues to operate as a going concern, whilst providing an adequate return to shareholders. There are no changes in capital risk management since 2017.

The group's capital structure represents the equity attributable to shareholders of the company together with cash and cash equivalents as follows:

	31.12.2018 31.12.2017 € €
Cash and short-term deposits	(1,807,599) (2,428,020)
Net funds	(1,807,599) (2,428,020)
Equity	4,694,698 -3,688,374
Total capital	4,694,698 3,688,374
Capital and net funds	2,887,099 1,260,354

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk management objectives

The board is charged with the overall responsibility of establishing and monitoring the Group's risk management policies and processes. The Group's risk management policies and processes are determined in order to identify, analyse and monitor the risks that are faced by the Group. All treasury transactions are reported to and approved by the Board. The Group does not enter into or trade financial instruments for speculative purposes.

The principal risks to which the Group is exposed are market risk including currency risk and interest rate risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The principal ways in which the group is exposed to such fluctuations are through currency risk.

Foreign currency risk

The group operates in a global industry and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk arises when commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The board monitors both the level of likely future foreign currency cash flows and forecasts of exchange rate movements and manages foreign exchange risk by holding cash balances in the Euros.

Ouantitative analysis

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the reporting dates is as follows:

7	31.12.2018	31.12.2017
Current assets	\$	\$
US\$ - trade and other receivables	624,433	718,202
US\$ - cash and cash equivalents	544,434	595,156
*	1,168,867	1,313,358
Current liabilities		•
US\$ - trade and other payables	150,704	440,206

Currency risk sensitivity analysis

The company has used a sensitivity analysis technique that measures the estimated change to the income statement and equity of a 10% strengthening or weakening in Euro against all other currencies, with all other variables remaining constant. The sensitivity analysis includes only outstanding foreign currency denominated assets and liabilities and adjusts their translation at the balance sheet date for a 10% change in the applicable foreign currency rate.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign currency risk (continued)

Currency risk sensitivity analysis (continued)

Under this assumption, with a 10% strengthening or weakening of Euro against all exchange rates, profit before tax would have decreased by €86,568 (2017: €73,066) or increased by €105,806 (2017: €89,303) and equity would have decreased by €245,958 (2017: €194,490) or increased by €300,561 (2017: €212,155).

Interest rate risk

The group has very limited exposure to interest rate risk at present as it has no interest bearing borrowings.

Credit risk

Credit risk is the risk that a counterparty will cause a financial loss to the Group by failing to discharge its obligation to the group.

The group trades only with recognised, creditworthy customers. All customers who wish to trade on credit are subject to credit verification checks. Customer balances are checked regularly to ensure that the risk of exposure to bad debts is minimised.

Of the trade receivables balance at the end of the year, €1,870,043 (2017: €1,121,438) is due from Nokia Siemens, the Group's largest customer. Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk for trade and other receivables and other financial assets is represented by their carrying amount.

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities. The group has given responsibility of liquidity risk management to the board who have formulated liquidity management tools to service this requirement.

Management of liquidity risk is achieved by monitoring budgets and forecasts and actual cash flows. In addition, the Group benefits from strong cash flow from its normal trading activities.

At the balance sheet date the Group had no bank loans and borrowings or finance lease liabilities.

Fair values

The directors consider that the carrying values of all the company's financial assets and liabilities approximate their fair values as at the balance sheet dates.

The company does not hold any financial instruments that are classified as fair value through profit or loss or available for sale and therefore are measured at fair value.

14. RELATED PARTY TRANSACTIONS

Subsidiaries - The company has investments in the following subsidiaries:

		Country of	% Interest	% Interest
Name	Principal activity	incorporation	31.12.2018	31.12.2017
Computaris Romania S.R.L.	Computer services	Romania	100%	100%
Computaris Polska sp zoo	Computer services	Poland	100%	100%
ICS Computaris International S.R.L.	Computer services	Moldova	100%	100%
Computaris Malaysia SDN. BHD.	Computer services	Malaysia	100%	100%
Computaris USA Inc	Computer services	USA	Dissolved	100%
Computaris Philippines Pte. Ltd. Inc	Computer services	Philippines	100%	100%
Computaris Switzerland LLC	Computer services	Switzerland	100%	N/A

Sale of services

During the period the company sold consultancy services of €445,350 (2017: €552,620) to Computaris Philippines Pte. Ltd. Inc, a group company. At the period end €255,223 (2017: €392,196) was owed to the company by Computaris Philippines Pte. Ltd Inc in respect of these consultancy services including foreign exchange variances. In addition to the above €55,581 (2017: €140,328) of income was accrued and included in Revenue and Accrued Income of the company in respect of services provided but not invoiced at the year-end date. At the year-end foreign exchange losses incurred by Computaris Philippines Pte. Ltd. Inc of €17,154 were recharged to company and is included in the balance owed at the year end.

During the period Computaris Romania S.R.L. provided consultancy services of €Nil (2017: €480,488) to Computaris Polska sp zoo, a group company. At the period end €Nil (2017: €100,526) was owed to Computaris Romania S.R.L. by Computaris Polska sp zoo in respect of consultancy services including foreign exchange variances. In addition to the above €Nil (2017: €31,531) of income was accrued and included in Revenue and Accrued Income of the company in respect of services provided but not invoiced at the period end date.

During the period ICS Computaris International S.R.L.provided consultancy services of €50,229 (2017: €81,177) to Computaris Romania S.R.L., a group company. At the period end €1,927 (2017: €28,409) was owed to ICS Computaris International S.R.L. by Computaris Romania S.R.L. in respect of consultancy services including foreign exchange variances.

Purchases of services

During the year the company incurred consultancy services of €340,758 (2017: €412,650) and reimbursed expenses totalling €5,116 (2017: €13,053) from R Systems International Limited, the parent undertaking. At the period end €39,297 (2017: €28,067) was owed by the company to R Systems International Limited in respect of these consultancy and reimbursed expenses.

During the year the company incurred consultancy services of €890,978 (2017: €Nil) and reimbursed expenses totalling €16,531 (2017: €Nil) from R Systems Inc, a group company. At the period end €104,743 (2017: €Nil) was owed by the company to R Systems Inc in respect of these consultancy and reimbursed expenses.

During the year Computaris USA, INC acquired services totalling €304,909 (2017: €1,501,483) and incurred €6,349 (2017: €51,589) in respect of reimbursed expenses from R Systems Inc, a group company. At the year-end €Nil (2017: €348,744) was owed by Computaris USA, INC to R Systems Inc in respect of these services including foreign exchange variances.

During the period Computaris USA Inc. acquired services totalling €Nil (2017: €16,353) and incurred €Nil (2017: €Nil) in respect of reimbursed expenses from R Systems Canada, a group company. At the period end €Nil (2017: €Nil) was owed by Computaris USA Inc to R Systems Canada in respect these services including foreign exchange differences.

Page 44

14. RELATED PARTY TRANSACTIONS (continued)

During the year computer consultancy services and related expenses were acquired from the subsidiary undertakings as follows:

	31.12.2018	31.12.2017
	 €	€
Computaris Romania S.R.L.	4,407,807	4,488,004
Computaris Polska sp zoo	1,882,060	1,612,047
ICS Computaris International S.R.L.	512,131	531,089
Computaris Malaysia SDN. BHD.	181,197	184,494
Computaris USA Inc	310,059	1,343,213
	7,293,254	8,158,847

At the year end the following amounts were due to/(from) the subsidiary undertakings in respect of the above services supplied:

		31.12.2018	31.12.2017
	4.	€	€
Computaris Romania S.R.L.		602,115	403,730
Computaris Polska sp zoo		165,481	(19,862)
ICS Computaris International S.R.L.		48,081	66,975
Computaris USA Inc			176,479
		815,677	627,322
		in the second se	

The amount due to/(from) the subsidiary undertakings are unsecured, interest free and repayable on demand unless otherwise stated.

Loan to subsidiary

On the 23 November 2017 the company entered into a loan agreement under normal commercial terms with the subsidiary, Computaris Polska sp zoo, for a maximum up to €450,000. The amount drawn-down by the year end was €450,000 (2017: €250,000) on which interest of €4,430 (2017: €307) at a rate of 1.4% had been paid. The principal amount outstanding was due to be repaid in full together with all interest and fees on 22 October 2018, however the original loan agreement was replaced with a new agreement thereby extending the settlement date to 1 October 2019.

Financial Support

The company have agreed to provide financial support to its subsidiary, Computaris Polska sp zoo in order for it to continue operate and meet its obligations.

Key management personnel

The key management personnel are the directors of the company and the remuneration they have received during the year is as follows:

	received during the year is as follows:			
			31.12.2018	31.12.2017
			€.	ϵ
- 10	Receivable from subsidiaries:			
	Short-term employee benefits	¥01	172,129	110,821
15.	INVENTORIES			
	Group		31.12.2018	31.12.2017
			€	€
	Consumables (At cost)		13,155	10,351
				-

16. TRADE AND OTHER RECEIVABLES

Group	31.12.2018	31.12.2017
	$oldsymbol{\epsilon}$	ϵ
Receivable from trade customers	3,396,042	2,737,741
Other receivables	161,135	165,358
Tax receivables	134,036	204,368
Accrued income	496,326	692,703
	4,187,539	3,800,170

At 31 December 2018, trade and other receivables to the value of €80,096 (2017: €217,904) were impaired and fully provided for.

Movements in the provision for impairment of trade and other receivables were as follows:

	31.12.2018	31.12.2017
	€	€
At 1 January	217,904	80,096
Provision for doubtful debts	939	137,312
Release of provision for doubtful debts	(13,560)	-
Provision for doubtful debts written off	(124,248)	
Foreign currency exchange increases	-	496
At 31 December	81,035	217,904
Company	31.12.2018	31.12.2017
	€	€
Receivable from trade customers	2,639,513	1,860,853
Receivable from related parties	712,105	662,058
Tax receivables	10,731	10,265
Accrued income	157,928	255,454
,	3,520,277	, 2,788,630

Amounts receivable from trade customers are non-interest bearing and are generally on 30 to 90 day terms.

At 31 December 2018, trade and other receivables to the value of €80,096 (2017: €100,879) were impaired and fully provided for.

Movements in the provision for impairment of trade and other receivables were as follows:

	31.12.2018	31.12.2017
	€	€
At 1 January	100,879	80,096
Provision for doubtful debts	-	20,783
Release of provision for doubtful debts	(13,560)	
Provision for doubtful debts written off	(7,223)	-
At 31 December	80,096	100,879

17.	PREPAYMENTS				
	Group			31.12.2018 €	31.12.2017 €
	Current			E	E
	Prepaid expenses		20	159,005	83,912
	*		6		
	Company			31.12.2018	31.12.2017
	Current		XX.	ϵ	€
	Prepaid expenses			110,717	47,245
	Trepaid expenses			110,717	47,243
18.	CASH AND CASH EQUIVALEN	NTS			
	Group			31.12.2018	31.12.2017
				€	€
	Cash on hand			2,880	3,245
	Cash at bank	20		1,232,547	2,181,925
	Short term deposits			572,172	242,850
				1,807,599	2,428,020
				1,007,377	2,120,020
	Included in cash at bank is restricted	d funds of €60,521 (201	7: €59,8		2,120,020
	Included in cash at bank is restricted Company	d funds of €60,521 (201	7: €59,8	360). 31.12.2018	31.12.2017
	Company	d funds of €60,521 (201	7: €59,8	360). 31.12.2018 €	31.12.2017 €
	*	d funds of €60,521 (201	7: €59,8	360). 31.12.2018	31.12.2017
	Company Cash at bank	d funds of €60,521 (201	7: €59,8	360). 31.12.2018 € 766,589	31.12.2017 €
	Company Cash at bank Short term deposits			31.12.2018 € 766,589 174,825	31.12.2017 € 1,045,521
	Company Cash at bank			31.12.2018 € 766,589 174,825	31.12.2017 € 1,045,521
19.	Company Cash at bank Short term deposits			31.12.2018 € 766,589 174,825	31.12.2017 € 1,045,521
19.	Company Cash at bank Short term deposits Included in cash at bank is restricted SHARE CAPITAL			31.12.2018 € 766,589 174,825	31.12.2017 € 1,045,521
19.	Company Cash at bank Short term deposits Included in cash at bank is restricted	d funds of €Nil (2017: €		31.12.2018 € 766,589 174,825 941,414	31.12.2017 € 1,045,521 1,045,521
19.	Company Cash at bank Short term deposits Included in cash at bank is restricted SHARE CAPITAL			31.12.2018 € 766,589 174,825	31.12.2017 € 1,045,521 1,045,521
19.	Company Cash at bank Short term deposits Included in cash at bank is restricted SHARE CAPITAL	d funds of €Nil (2017: € 31.12.2018	Nil).	31.12.2018 € 766,589 174,825 941,414	31.12.2017 € 1,045,521 - 1,045,521
19.	Company Cash at bank Short term deposits Included in cash at bank is restricted SHARE CAPITAL Authorised share capital Ordinary share capital	d funds of €Nil (2017: € 31.12.2018 No.	Nil). €	31.12.2018 € 766,589 174,825 941,414 31.12.2 No.	31.12.2017 € 1,045,521 - 1,045,521
19.	Company Cash at bank Short term deposits Included in cash at bank is restricted SHARE CAPITAL Authorised share capital	d funds of €Nil (2017: € 31.12.2018 No. 106,500	Nil). €	31.12.2018 € 766,589 174,825 941,414 31.12.2 No. 106,500	31.12.2017 € 1,045,521
19.	Company Cash at bank Short term deposits Included in cash at bank is restricted SHARE CAPITAL Authorised share capital Ordinary share capital	d funds of €Nil (2017: € 31.12.2018 No. 106,500 31.12.2018	Nil). € 	31.12.2018 € 766,589 174,825 941,414 31.12.2 No. 106,500 31.12.2	31.12.2017 € 1,045,521 - 1,045,521 2017 € 747
19.	Company Cash at bank Short term deposits Included in cash at bank is restricted SHARE CAPITAL Authorised share capital Ordinary share capital	d funds of €Nil (2017: € 31.12.2018 No. 106,500	Nil). €	31.12.2018 € 766,589 174,825 941,414 31.12.2 No. 106,500	31.12.2017 € 1,045,521

All issued share capital is classified as equity. The ordinary shares have a par value of 1p per share and are fully paid. These shares carry no right to fixed income or have any preferences or restrictions attached to them.

COMPUTARIS INTERNATIONAL LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

20. OTHER RESERVES

Group 31 December 2018	Capital Redemption Reserve €	Legal and statutory reserve €	Foreign currency translation reserve	Total €
At 1 January 2018	168	911,203	282,716	1,194,087
Foreign currency exchange increa	se -	-	70,791	70,791
Transfer to retained earnings		(667,146)		(667,146)
At 31 December 2018	168	244,057	353,507	597,732
Group			Foreign	
31 December 2017	Capital Redemption Reserve €	Legal and statutory reserve €	currency translation reserve	Total €
			1 TO	_
At 1 January 2017	168	837,784	392,812	1,230,764
Foreign currency exchange increase	se -	-	(110,096)	(110,096)
Transfer to retained earnings		73,419	-	73,419
At 31 December 2017	<u>168</u>	911,203	282,716	1,194,087

Nature and purpose of other reserves

Legal and statutory reserve

The legal and statutory reserves of €244,057 (2017: €911,203) are according to local applicable laws and statutory regulations in the subsidiary jurisdictions of Romania, Moldova and Poland. They are created and adjusted based on profit by transfers from retained earnings.

Foreign currency translation reserve

The translation reserve represents the revaluations of overseas foreign subsidiaries.

21. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities:

Group	Accelerated tax depreciation	Other timing differences €	Revaluation of Financial Assets €	Tax Losses €	Total €
Balance at 1 January 2017	(1,006)				32,816
Charge to profit or loss	(1,008)			46,666	35,591
Foreign currency exchange	300	2,595	1,600	(2,722)	1,773
Balance at 1 January 2018	(1,714)	27,950		43,944	70,180
Charge to profit or loss	1,742			(44,651)	(77,572)
Foreign currency exchange	(28)			707	4,250
Balance at 31 December 2018		(3,142)			(3,142)

21. DEFERRED TAX ASSETS AND LIABILITIES (continued)

At the balance sheet date, the group has unused tax losses of €628,809 (2017: €644,549) available for offset against future profits. No deferred tax asset has been recognised in respect of €609,403 (2017: €534,221) of these losses as it is not considered probable that there will be future taxable profits available.

These amounts have been classified in the statement of financial position as follows:

	Group			9	31.12.2018 €	31.12.2017 €
	Deferred tax assets	50				73,533
	Deferred tax liabilities		6		(3,142)	950
					(3,142)	70,180
22.	TRADE AND OTHER PAY	YABLES				
	Group				31.12.2018	31.12.2017
					€	ϵ
	Payable to trade suppliers				397,522	998,603
	Payable to related parties				144,040	376,811
	Other payables				86,452	96,045
	Accrued liabilities	χ.	20		353,453	739,677
	Tax payable				278,057	233,969
					1,259,524	2,445,105
	Company		F = F		31.12.2018	31.12.2017
					€	€
	Payable to trade suppliers				117,261	42,214
	Payable to related parties				959,718	675,251
	Other payables				87	1,612
-	Accrued liabilities			1	382,830	72,589
	Tax payable				= 0	10
		•			1,459,896	791,676

The average credit period taken on trade payables is 30 days and no interest has been charged on the payable balances.

23. OPERATING LEASES

The total of future minimum lease payments under non-cancellable operating leases are as follows:

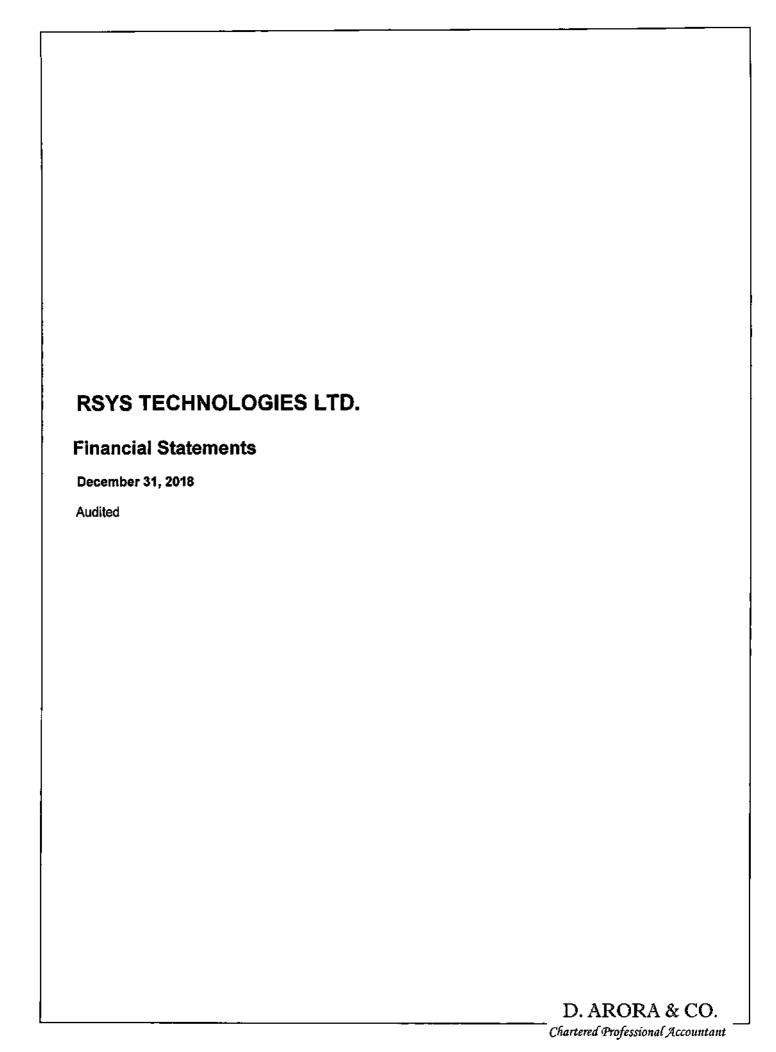
Group	31.12.2018	31.12.2017
	€	€
Not later than one year	449,320	323,958
Later than one year and not later than five years	372,983	554,643
After more than five years	_	17,283
	822,303	895,884

The operating lease relates to the lease of buildings with an average lease terms between 3 months to 6 years.

24. ULTIMATE PARENT UNDERTAKING

The company's immediate and ultimate parent undertaking is R Systems International Limited, a company registered in India, which owns 100% of the company's shares.

The largest and smallest group in which the results of the group are consolidated is headed by R Systems International Limited. The consolidated financial statements of this company are available to the public and may be obtained from its registered address, B-104A, Greater Kailash 1, New Delhi – 110 048, India.



RSYS TECHNOLOGIES LTD.

December 31, 2018

CONTENTS

F	Financial Statements	<u>Page</u>
	Independent Auditor's Report	1 - 2
	Balance Sheet	3
	Statement of Deficit	4
	Statement of Loss	5
	Statement of Cash Flows	6
	Notes to the Financial Statements	7 - 13

Chartered Professional Accountant

Office. 604.325.4605 Fax. 604.321.9796

4841 Neville Street, Burnaby, BC V5J 2H4 deepak@daroracpa.com • www.daroracpa.com

Independent Auditor's Report

To the Shareholder RSYS TECHNOLOGIES LTD.

Opinion

I have audited the accompanying financial statements of RSYS TECHNOLOGIES LTD., which comprise the balance sheets as at December 31, 2018 and December 31, 2017, and the statement of loss, deficit and cash flows for the years then ended, and notes to financial statement, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of RSYS TECHNOLOGIES LTD. as at December 31, 2018, and the result of its financial operations and its cash flows for the years then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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- 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Depala Alsa DArora & Co.

Chartered Professional Accountant

Burnaby January 25, 2019

RSYS TECHNOLOGIES LTD.

Balance Sheet

As At December 31, 2018

Audited

<u> </u>		2018			 2	017	,
	Note	 CAD Dollars		quivalent ₹ Inaudited)	 CAD Dollars		quivalent ₹ naudited)
Assets							
Current Assets							
Cash		\$ 87,730	₹	4,495,285	\$ 73,814	₹	3,761,931
Accounts receivable	4.	227,120		11,637,629	43,668		2,225,540
Other current assets	5.	11,187		573,222	19,859		1,012,115
		\$ 326,037	₹	16,706,136	\$ 137,341	₹	6,999,586
Property, plant & equipment	2.	11,594		594,077	1,689		86,080
Security deposit	_	8,258		423,140	 6,600		336,369
Total Assets		\$ 345,889	₹	17,723,353	\$ 145,630	₹	7,422,035
Liabilities and Shareholders' E	quity						
Current Liabilities							
Accounts payable and accrued						_	
liabilities	7.	\$ 168,042	₹	8,610,472	\$ 69,381	₹	3,536,005
Due to government agencies	9.	12,516		641,320	5,399		275,160
Due to related parties	6.	540	_	27,670	572,264		29,165,435
		\$ 181,098	₹	9,279,462	\$ 647,044	₹	32,976,600
Equity							
Share capital	12.	1,100,000		56,364,000	100,000		5,096,500
Deficit		(935,209)		(47,920,109)	 (601,414)		(30,651,065
Total Equity		 164,791		8,443,891	 (501,414)		(25,554,565
Total Liabilities & Equity		\$ 345,889	₹	17,723,353	\$ 145,630	₹	7,422,03
Exchange rate used for transla	ation:	\$ 1	₹	51.2400	\$ 1	₹	50.9650

Approved on behalf of the Board:

See accompanying notes to the financial statements.

Statement of Deficit

For the Year Ended December 31, 2018

Audited

	2018			2017			
		CAD Dollars		ivalent ₹ audited)		CAD Dollars	Equivalent ₹ (Unaudited)
Deficit - beginning of the year	\$	(601,414)	₹ (3	0,816,453)	\$	(336,257)	₹(17,137,338)
Net loss		(333,795)	(1	7,103,656)		(265,157)	(13,513,727)
Deficit - end of the year	\$	(935,209)	₹ (4	7,920,109)	\$	(601,414)	\$(30,651,065)
Exchange rate used for translation:	\$	1	₹	51.2400	\$	1	₹ 50.9650

RSYS TECHNOLOGIES LTD.

Statement of Loss

For the Year Ended December 31, 2018 Audited

			20	18			20	17	
	Note		CAD Dollars		quivalent ₹ Unaudited)		CAD Dollars		Equivalent ₹ Unaudited)
	-		E40 C40	-	00 574 000	•	000 100	.	16,725,796
Revenue from operation	0 h	\$	518,619	*	26,574,038	Ф	328,182 141,943	•	7,234,125
Commission Income	8.b.	\$	314,442 833,061	₹	16,112,008 42,686,046	\$	470,125	₹	23,959,921
Operating expenses					<u> </u>				
Salaries and wages			590,645		30,264,650		425,044		21,662,368
Subcontract			297,722		15,255,275		160,045		8,156,693
Travel expenses			84,775		4,343,872		39,287		2,002,268
Operation and other expenses	11.		63,517		3,254,611		30,560		1,557,491
Office expenses			60,133		3,081,215		55,449		2,825,958
Professional fees			17,814		912,789		24,623		1,254,911
Interest and bank charges			10,311		528,336		6,819		347,530
Employee benefits			9,296		476,327		9,189		468,318
Advertising			4,020		205,985		4,086		208,243
Amortization		_	1,381		70,762		1,106		56,368
	-	\$	1,139,614	₹	58,393,822	\$	756,2 <u>08</u>	₹	38,540,142
Loss from operations		\$	(306,553)	₹	(15,707,776)	\$	(286,083)	₹	(14,5 <u>80,</u> 221
(Gain)/loss on exchange									
difference			27,242		1,395,880		(20,926)		(1,066,494
Net loss		\$	(333,795)	₹	(17,103,656)	\$	(265,157)	₹	(13,513,727
Exchange rate used for translation:		\$	1	₹	51.2400	\$	1	₹	50.965

RSYS TECHNOLOGIES LTD.

Statement of Cash Flow

For the Year Ended December 31, 2018 Audited

	2018				2017		
		CAD Dollars		juivalent ₹ naudited)	CAD Dollars		quivalent ₹ Inaudited)
Operating activities			_		(005.457)	-	(40 540 707)
Net loss	\$	(333,795)	₹	(17,103,656)	\$ (265,157)	₹	(13,513,727)
Items not affecting cash							
Amortization		1,381		70,762	1,106		56,368
	\$	(332,414)	₹	(17 <u>,032,</u> 894)	\$ (264,051)	₹	(13,457,359)
Changes in non-cash working capital							
Accounts receivable		(183,451)		(9,400,028)	75,790		3,862,637
Other current assets		8,671		444,302	10,145		517,040
Accounts payable and accrued liabilities		98,661		5,055,390	(23,475)		(1,196,403)
Due to government agencies		7,117		364,675	(8,917)		(454,455)
Security deposit		(1,658)		(84,956)	<u>-</u>		
	\$	(70,660)	₹	(3,620,617)	\$ 53,543	₹	2,728,819
Investing activities					 		·
Acquisition of property, plant and							
equipment		(11,286)		(578,295)	 -		<u> </u>
	\$	(11,286)	₹	(578,295)	\$ 	₹	-
Financing activities							
Due to related parties		(571,724)		(29,295,138)	153,747		7,835,716
Proceeds from issuance of shares		1,000,000		51,240,000			-
	\$	428,276	₹	21,944,862	\$ 153,747	₹	7,835,716
Increase (decrease) in cash		13,916		713,056	(56,761)		(2,892,824)
Net cash, beginning of a year		73,814		3,782,229	130,575		6,654,755
Net cash, end of a year	\$	87,730	₹	4,495,285	\$ 73,814	₹	3,761,931
Exchange rate used for translation:	\$	1	₹	51.2400	\$ 1	₹	50.9650

See accompanying notes to the financial statements.

Notes to the Financial Statements

For the Year Ended December 31, 2018
Audited

RSYS TECHNOLOGIES LTD., specializes in providing IT solutions and business process outsourcing services to individuals, businesses, and communities. This company is a subsidiary of R Systems International Limited (a publicly listed Indian Corporation). Currently, the company is in the process of establishing its base in Canada.

Disclaimer - Convenience Translation

The Company provided the translations for the Canadian Dollar (CAD) amounts into Indian Rupees (INR) at the closing rate at December 31, 2018 and 2017, respectively. The translations should not be considered as a representation that such Canadian Dollar (CAD) amounts have been, could have been or could be converted into Indian Rupees at any particular rate, the rate stated above, or all. Accordingly, the translated values are not in accordance with Canadian GAAP. As at December 31, 2018 and 2017, the exchange rate to translate Canadian Dollars (CAD) into Indian Rupees was 51.2400 and 50.9650 respectively.

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises. (ASPE)

1. Significant accounting policies

a. Revenue recognition

The Company recognizes revenue when earned, specifically when all the following conditions are met:

- Services are provided to customers.
- There is clear evidence that an arrangement exists.
- Amounts are fixed or can be determined.
- The ability to collect is reasonably assured.
- There is no significant obligation for future performance.

b. Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make 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 reporting period. Actual results could differ from those estimates and may have financial impact on future periods. Significant areas of estimation include accounts, estimated useful lives of property, plant and equipment, accrued liabilities and employee future benefits.

c. Income taxes

The Company uses the taxes payable method to record income taxes. Only current income taxes are recorded based on the determination of the income taxes for the current year, plus any income tax recoveries as a result of carrying back losses to a previous year.

Notes to the Financial Statements

For the Year Ended December 31, 2018 Audited

1. Significant accounting policies (cont'd)

d. Related parties

Parties are considered related to the company if the company has the ability to, directly or indirectly, control the party or exercise significant influence over the party in making financial and operating decisions or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be other entities or individuals. Related party transactions are unsecured, non-interest bearing and without terms of repayment. Related party transactions occurred during the normal course of business and are measured at the exchange amount, which is the amount of consideration agreed by the related parties.

1. Property, plant and equipment

Property, plant and equipment is recorded at cost, or deemed cost, less accumulated amortization. Amortization is provided annually at rates and methods over their estimated useful lives as follows. The estimates of useful lives of the assets are reviewed annually and, if needed, adjusted on a prospective basis.

Assets		Basis of resources used per year	
Computer Hardware	Straight Line	3 Years	
Office equipment	Straight Line	5 years	
Furniture & Fixture	Straight Line	7 years	
		<u> </u>	

2. Property, plant & equipment

<u> </u>			2018	2017
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Computers hardware	\$ 5,298	(3,011) \$	2,287 \$	1,689
Furniture & Fixtures	8,640	•	8,640	-
Office equipment	 666	-	666	
Total	\$ 14,604	\$ (3,010) \$	11,594 \$	1,68 <u>9</u>

3. Economic dependence

During the year, the company provided 38% services to its associate company in USA (30% prior year) and has undertaken, under the terms of a contract.

In addition, The Associate company (R. Systems Inc. (USA)) is providing advance to the company with no interest and no terms of repayment.

Notes to the Financial Statements

For the Year Ended December 31, 2018 Audited

4. Accounts receivable

Accounts receivable represents the amount due from customers for the services provided during normal course of business and collectable within normal business terms and conditions.

	 2018	2017
Account receivable - company under common control	\$ 89,248 \$	10,125
Account receivable - others	137,872	33,543
	\$ 227,120 \$	43,668

5. Other current assets

•	2018	2017
Advance to employees	\$ 2,500	\$ 11,450
Prepaid expenses	4,197	3,662
Advance to suppliers	4,022	4,747
Unbilled revenue	468	
Total	\$ 11 <u>,187</u>	\$ 19,8 <u>59</u>

6. Due to related parties

	2018	2017
R. System international Ltd. (India)	\$ (1,304) \$	373
R. System Inc (USA)	 1,844	571,891
	\$ 540 \$	572,264

7. Accounts payable and accrued liabilities:

	2018		2017
Vacation payable	\$ 35,56	\$	16,677
Payable to employees	75	3	1,370
Accrued liability	10,000)	10,000
Trade accounts payable	121,72	5	41,334
Total	\$ 168,04	2 \$	69,381

Notes to the Financial Statements

For the Year Ended December 31, 2018 Audited

8. Related party transactions

Related party transactions are under:

a. R Systems Inc (USA), an associated company incorporated in USA

R Systems Inc. USA is wholly owned subsidiary of R Systems International India. Transaction in the current year ended December 31, 2018 are follows:

	2018	2017
Accounts Receivable	\$ 8,929	10,125
Software development services	\$ 54,120	53,048
Advances	\$ 1,844	571,891

b. R System International USA Br., a Branch incorporated in USA

R Systems International USA Br. is wholly owned subsidiary of R Systems International, Noida (India). Transaction in the current year ended December 31, 2018 are follows:

	2018	2017
Commission Income	\$ 314,442	\$ 141,943
Accounts Receivable	\$ 80,319	\$ -

c. R System International, Noida incorporated in India

RSYS Technologies Ltd. wholly owned subsidiary of R Systems International India. Transaction in the current year ended December 31, 2018 are follows:

	2018	2017
Accounts Payable	\$ 74,784 \$	-
Advance	(1,304)	373
Subcontract	\$ 152,347 \$	<u>- </u>

Notes to the Financial Statements

For the Year Ended December 31, 2018 Audited

9. Due to Government agencies

		2018	2017
GST/QST	\$	(1,072) \$	5,393
Quebec taxes		174	6
Payroll Liability		13,414	
Total	_	12,516 \$	5,399

10. Income taxes

The company has following non-capital losses for the tax year ending December 31, 2018, that can be used to set off future taxable income. The tax benefits of these losses are not recognized in these financial statements. These non-capital losses will expire 20 years from the respective tax years in which they are incurred. Corporate tax returns are subject to audit and reassessment by the Canada Revenue Agency. The results of any assessments will be accounted for in the year in which they are determined.

Tax Year	Loss
2012	\$ 9,6
2013	12,3
2014	42,9
2015	83,9
2016	187,4
2017	265,
2018	334,
Total	\$ 936,

11. Operation and other expenses

		2018	2017
Visa arrangement expense	<u> </u>	43,607 \$	18,218
Employee relocation expenses		14,790	10,022
Export tax		3,505	-
Insurance		968	1,034
Fees others	<u>.</u>	647	1,286
	\$	63,517 \$	30,560

Notes to the Financial Statements

For the Year Ended December 31, 2018 Audited

12. Share Capital

Authorized shares

Class "A" voting common shares, no maximum, without par value, voting and participating Class "B" preferred shares, no maximum, without par value, voting and participating

Issued shares

	2018	2017
Class "A" Common shares (200 shares @\$1 per share)	\$ 200	\$ 200
Class "B" Preferred shares (25 shares @\$3992 per share)	99,800	99,800
Class "B" Preferred shares (250 shares @\$4000 per share)	1,000,000	
Total	\$ 1 <u>,100</u> ,000	\$ 100,000

During the year, Company issued 250 Class "B" Preferred shares @\$4000 per share.

13. Financial instruments

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The company's financial instruments consist of cash, receivables, payables and accrued liabilities. The following analysis provides information about the company's risk exposure and concentration as at December 31, 2018

Market risk

Market risk is the risk that financial instrument fair values will fluctuate due to changes in market prices. The significant market risks to which the company is exposed are foreign exchange risks and price risks

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. Liquidity risk is dependent on receipt of funds from sales and continued access to sufficient credit facilities to be able to pay liabilities as they become due

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 38% of the companies' revenue are in US dollars and, consequently, accounts receivable & advance payable in US dollars are exposed to foreign exchange fluctuations.

Unless otherwise noted, management is of the opinion that the company is not exposed to significant other price risks arising from theses financial instruments.

Notes to the Financial Statements

For the Year Ended December 31, 2018 Audited

14. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statements presentation.



Directors' Statement and Audited Financial Statements

IBIZ Consulting Pte. Ltd. and its Subsidiaries

(Co. Reg. No. 200715700E)

For the year ended 31 December 2018

(Co. Reg. No. 200715700E)

General Information

Directors

Satinder Singh Rekhi Harpreet Rekhi Gunalan Kalairajan Ramasubramanian Balasubramanian

(Appointed on 1 May 2018) (Resigned on 1 May 2018)

Secretary

Ng Chee Tiong

Independent Auditor

HLB Atrede LLP

Contents

Contents	Page
Directors' Statement	1
Independent Auditor's Report	3
Balance Sheets	7
Consolidated Statement of Comprehensive Income	8
Statements of Changes in Equity	9
Consolidated Cash Flow Statement	10
Notes to the Financial Statements	11

(Co. Reg. No. 200715700E)

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of IBIZ Consulting Pte. Ltd. (the "Company") and its subsidiaries (the "Group") and balance sheet and statement of changes in equity of the Company for financial year ended 31 December 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the accompanying consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

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

Satinder Singh Rekhi Harpreet Rekhi Gunalan Kalairajan

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations as stated below:

	Holding registered in names of directors		Holdings in which directors are deemed to have an interest	
Name of directors	At beginning of year	At end of year	At beginning of year	At end of year
97 - C		nary shares		
<i>The Company</i> Satinder Singh Rekhi	_	_	1,151,000	1,151,000

(Co. Reg. No. 200715700E)

Directors' Statement - continued

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

	Holding registered in names of directors		Holdings in which directors are deemed to have an interest		
Name of directors	At beginning of year	At end of year	At beginning of year	At end of year	
	Ordinary shares of Rs. 1 each				
The immediate and ultimate		•			
holding company					
- R Systems International					
<u>Limited</u>					
Satinder Singh Rekhi	1,281,556	3,148,044	50,973,302	21,226,949	
Harpreet Rekhi	760	1,508,452	_	_	

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of financial year or at the end of financial year.

5. OPTIONS ON SHARES TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

6. OPTIONS EXERCISED

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

7. UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

8. INDEPENDENT AUDITOR

The independent auditor, HLB Atrede LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Satinder Singh Rekhi

Director

Gunalan Kalairajan

Director

Singapore



Independent Auditor's Report to the member of IBIZ Consulting Pte. Ltd. (Co. Reg. No. 200715700E)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IBIZ Consulting Pte. Ltd. (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, statements of changes in equity of the Group and the Company, and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

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Independent Auditor's Report to the member of IBIZ Consulting Pte. Ltd. – continued (Co. Reg. No. 200715700E)

Other Information (continued)

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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- 4 -



Independent Auditor's Report to the member of IBIZ Consulting Pte. Ltd. – continued (Co. Reg. No. 200715700E)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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- 5 -



Independent Auditor's Report to the member of IBIZ Consulting Pte. Ltd. - continued (Co. Reg. No. 200715700E)

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

HUB ArredellP

HLB Atrede LLP Public Accountants and Chartered Accountants

Singapore 30 January 2019

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IBIZ Consulting Pte. Ltd. and its Subsidiaries (Co. Reg. No. 200715700E)

Balance Sheets as at 31 December 2018

	~					
	N-4-	Gre	_	Com		
	Note	2018 \$	2017 \$	2018 \$	2017 \$	
		J	Φ	Φ	Ф	
Non-current assets						
Plant and equipment	4	104,082	141,407	43,257	119,419	
Investment in subsidiaries	5	_	-	1,064,545	1,064,545	
Deferred tax assets	6	14,139	6,281		_	
		118,221	147,688	1,107,802	1,183,964	
Current assets						
Trade receivables	7	2,201,505	3,347,730	1,533,175	2,512,168	
Other receivables	8	395,929	293,353	114,798	73,280	
Contract assets	9	364,907	553,316	234,029	394,574	
Amounts due from		•	,		,	
subsidiary companies	10	_	***	519,600	443,744	
Amounts due from related				-	-	
companies	11	153,840	_	_	_	
Cash and cash equivalents	12	2,557,182	1,353,649	227,443	275,594	
		5,673,363	5,548,048	2,629,045	3,699,360	
Current liabilities						
Trade payables	13	1,494,633	1,551,743	1,114,614	1,177,399	
Other payables	14	822,241	977,002	294,765	596,034	
Contract liabilities	15	1,051,092	1,079,857	550,853	869,406	
Amounts due to subsidiary				,	,	
companies	10	_	••••	572,010	973,869	
Tax payable	16	25,559	107,601	_	59,378	
		3,393,525	3,716,203	2,532,242	3,676,086	
Net current assets		2,279,838	1,831,845	96,803	23,274	
Net assets		2,398,059	1,979,533	1,204,605	1,207,238	
Equity attributable to owner of the Company						
Share capital Foreign currency	17	1,151,000	1,151,000	1,151,000	1,151,000	
translation reserve	18	42,140	34,204			
Accumulated profits	10	1,204,919	794,329	53,605	- 56 2 29	
-	-	2,398,059		1,204,605	56,238	
Total equity		۷,370,U39	1,979,533	1,204,000	1,207,238	

IBIZ Consulting Ptc. Ltd. and its Subsidiaries (Co. Reg. No. 200715700E)

Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2018

	Note	2018 \$	2017 \$
Revenue	19	10,813,621	10,731,323
Other operating income	20	86,601	137,995
		10,900,222	10,869,318
Purchases of hardware/services		(2,408,951)	(2,737,104)
Subcontractor services		(1,238,729)	(1,383,207)
Staff costs	21	(5,121,518)	(4,521,398)
Allowance for expected credit losses		(223,251)	(104,660)
Contract assets written off		(51,683)	_
Depreciation		(112,391)	(97,946)
Finance costs	22	(1,041)	(2,747)
Rental of premises		(286,364)	(254,153)
Reversal for allowance for impairment on trade			
receivables		70,972	77,699
Bad debt written off		(430)	-
Other expenses	23	(1,079,129)	(872,636)
Profit before tax		447,707	973,166
Income tax expense	24	(37,117)	(161,492)
Profit for the year		410,590	811,674
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		7,936	(36,309)
Other comprehensive income/(loss) for the year,			(0,0,0)
net of tax		7,936	(36,309)
Total comprehensive income for the year		418,526	775,365
Profit attributable to:			
Owner of the Company		410,590	811,674
Total comprehensive income attributable to:			
Owner of the Company		418,526	775,365

IBIZ Consulting Pte. Ltd. and its Subsidiaries (Co. Reg. No. 200715700E)

Statements of Changes in Equity for the financial year ended 31 December 2018

	Share capital S	Foreign currency translation adjustment reserve \$	Accumulated profits	Total \$
Group	ų.	*	*	•
Balance at 1 January 2017 Total comprehensive income	1,151,000	70,513	(17,345)	1,204,168
for the year		(36,309)	811,674	775,365
Balance at 31 December 2017	1,151,000	34,204	794,329	1,979,533
Total comprehensive income				
for the year		7,936	410,590	418,526
Balance at 31 December 2018	1,151,000	42,140	1,204,919	2,398,059
Company				
Balance at 1 January 2017 Total comprehensive income	1,151,000		(64,343)	1,086,657
for the year	_		120,581	120,581
Balance at 31 December 2017	1,151,000	_	56,238	1,207,238
Total comprehensive loss				
for the year			(2,633)	(2,633)
Balance at 31 December 2018	1,151,000	_	53,605	1,204,605

IBIZ Consulting Pte. Ltd. and its Subsidiaries (Co. Reg. No. 200715700E)

Consolidated Cash Flow Statement for the financial year ended 31 December 2018

	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	447,707	973,166
Adjustments for:		
Depreciation	112,391	97,941
Bad debt written off	430	_
Contract assets written off	51,683	_
Interest income	(15,640)	(5,119)
Interest expenses	1,041	2,747
Allowance for expected credit losses	223,251	104,660
Reversal of allowance for impairment on trade receivables	(70,972)	(77,699)
Plant and equipment written off	` -	2,344
Loss on disposal of equipment	101	· _
Currency alignment	(24,238)	(32,105)
Operating profit before working capital changes	725,754	1,065,935
Decrease/(increase) in trade and other receivables, contract assets	1,097,727	(2,029,634)
Increase/(decrease) in trade and other payables, contract liabilities	(240,637)	1,157,143
Increase in amounts due from related companies	(153,840)	
Cash generated from operations	1,429,004	193,444
Interest paid	(1,041)	(2,747)
Interest received	15,640	`5,119 [°]
Tax paid	(164,852)	(164,807)
Net cash flows from operating activities	1,278,751	31,009
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of plant and equipment	(75,218)	(50,007)
Net cash flows used in investing activity	(75,218)	(50,007)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in amount due to director		(669)
Net cash flows used in financing activities		(669)
Net increase/(decrease) in cash and cash equivalents	1,203,533	(19,667)
Cash and cash equivalents at beginning of year	1,353,649	1,373,316
Cash and cash equivalents at end of year	2,557,182	1,353,649

(Co. Reg. No. 200715700E)

Notes to the Financial Statements - 31 December 2018

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

1. CORPORATE INFORMATION

The Company is a private company limited by shares incorporated and domiciled in Singapore.

The Company's immediate and ultimate holding is R Systems (Singapore) Pte Ltd, incorporated in Singapore and R Systems International Limited, incorporated in India respectively.

The registered office of the Company is located at 2 Jalan Kilang Barat, #04-01 Panasonic Building, Singapore 159346.

The principal activities of the Company are to carry on the business of information technology consulting and general trading.

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements of the Group and the statement of comprehensive income, the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ('FRS').

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar (SGD or \$) and all values are rounded to the nearest one-dollar unless otherwise stated.

The accounting policies adopted are consistent with those used in the previous financial year except in current financial year, the Group and the Company has adopted all applicable new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new and revised FRS and INT FRS did not result in any changes to the Group and the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

The Group and the Company applied FRS 109 and FRS 115 for the first time. The nature and effect of the changes as a result of the adopting of these new accounting standards are described below:

FRS 109 Financial Instruments

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

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

FRS 109 Financial Instruments (continued)

Classification and measurement

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

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of FRS 109 did not have a significant impact on the Group. The loans and receivable that are previously measured at amortised cost will continue to be accounted for using amortised cost under FRS 109.

Impairment

The adoption of FRS 109 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing FRS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. FRS 109 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. FRS 109 requires the Group to record ECL on all debt securities, loans, trade receivable and financial guarantee, either on a 12 months or lifetime basis. The Group has applied the simplified approach and record lifetime ECL on all trade receivable. The change in model did not have a material impact to the financial statements on initial recognition.

FRS 115 Revenue from Contracts with Customers

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

FRS 115 Revenue from Contracts with Customers (continued)

Under FRS 115, revenue is recognised when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transfer to the customer.

The Group provides IT contract services and accordingly revenue is recognised to their performance obligation when control over the corresponding service is transferred to the customer. The timing of revenue recognition of each of these performance obligations when provision for the relevant services are completed, are consistent with previous practice.

The Group has changed the presentation of certain amount in the balance sheet to reflect the terminology in FRS 115:

- Unbilled receivables in trade receivable from previous year were reclassified as part of contract assets.
- Deferred revenue in other payables arising from service contract from previous year were reclassified as part of contract liabilities.

Standards issued but not yet effective

The Group has not adopted the following standards that has been issued but not yet effective:

TOTAL ALLES

	Effective date (Annual periods beginning on or after)
FRS 116 Leases	1 January 2019
 Improvements to FRSs (December 2016): Amendment to FRS 28: Long-term interests in Associate and Joint venture 	1 January 2019
Improvements to FRSs (March 2017): - Amendment to FRS 103 Business Combinations - Amendment to FRS 111 Joint Arrangements - Amendment to FRS 12 Income Taxes - Amendment to FRS 23 Borrowing Costs	1 January 2019 1 January 2019 1 January 2019 1 January 2019
INT FRS 123: Uncertainty over Income Tax Treatments	1 January 2019

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS is described below.

(Co. Reg. No. 200715700E)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards issued but not yet effective (continued)

FRS 116 Leases

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

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

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

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

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

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

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

(Co. Reg. No. 200715700E)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation and business combination

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(ii) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Business combinations and goodwill (continued)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

(c) Foreign currency

The financial statements are presented in Singapore Dollar, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(Co. Reg. No. 200715700E)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency (continued)

(i) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies 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 end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(ii) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(Co. Reg. No. 200715700E)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Communication equipment - 3 years
Furniture and fitting - 5 years
Computer equipment - 1 to 3 years
Leasehold improvements - 3 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

For acquisition and disposals of plant and equipment, depreciation is provided in the month of acquisition and no depreciation is provided in the month of disposal.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial yearend, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(e) Subsidiaries

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

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instrument

(i) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provision of the financial instrument.

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

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

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the 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

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(i) Financial assets (continued)

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

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

Derecognition

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

(ii) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

(Co. Reg. No. 200715700E)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(ii) Financial liabilities (continued)

Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(g) Impairment of financial assets

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The 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.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

(Co. Reg. No. 200715700E)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of financial assets (continued)

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

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

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (i) significant financial difficulty of the issuer or the borrower;
- (ii) a breach of contract, such as a default or past due event;
- (iii) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (v) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off

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

(Co. Reg. No. 200715700E)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of non-financial assets

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

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

(i) Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

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

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank, and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value. These also include bank overdrafts that form an integral part of the Group's cash management.

(k) Trade and other payables

Trade and other payables are non-interest bearing and trade payables are normally settled on 30 to 60 days' terms while other payables have an average term of six months.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Government grant

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other operating income". Alternatively, they are deducted in reporting the related expenses.

(m) Provisions

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

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

(n) Employee benefits

(i) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

In particular, the Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownerships of the leased are classified as operating leases.

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

(p) Revenue

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

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

(i) IT Professional services

The Group provides IT system implementation and support services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the estimated total man days service to be provided because the customer received and uses the benefits simultaneously. This is determined based on the actual man days service performed relative to the total expected man days services.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Some contracts include multiple deliverables, such as the sale of hardware and license, and implementation supporting services. However, the implementation and support service are simple and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where there are not directly observable, they are estimated based on expected cost plus margin. If contracts include the sale of hardware and license, revenue for the hardware and license is delivered, the legal title has passed and the customer has accepted the hardware and license.

IBIZ Consulting Pte. Ltd. and its Subsidiaries

(Co. Reg. No. 200715700E)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Revenue (continued)

(ii) Commission income

Commission income is recognised upon services rendered and for vendors.

(iii) Interest income

Interest income is recognised as interest accrues (using the effective interest method) unless collectability is in doubt.

(q) Taxes

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income taxes are recognised in the profit or loss except to the extent that tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

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

Deferred tax liabilities are recognised for all temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Taxes (continued)

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

(iii) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

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

(r) Related parties

A related party is defined as follows:

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

IBIZ Consulting Pte. Ltd. and its Subsidiaries

(Co. Reg. No. 200715700E)

Notes to the Financial Statements - 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Related parties (continued)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities, and disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(i) Judgement made in applying accounting policies

In the process of applying the accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

For the implementation and commissioning of IT services, revenue is recognised over time based on the actual man days service preformed relative to the total estimated man days to be performed. The estimated man days to be performed are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its similar implementation and commissioning IT services.

(ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for various customers segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates

When calculating ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

IBIZ Consulting Pte. Ltd. and its Subsidiaries

(Co. Reg. No. 200715700E)

Notes to the Financial Statements - 31 December 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(ii) Estimates and assumptions (continued)

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 7 and Note 9 respectively.

• Income tax

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

IBIZ Consulting Pte. Ltd. and its Subsidiaries (Co. Reg. No. 200715700E)

4. PLANT AND EQUIPMENT

Group	Communication equipment	Furniture and fitting	Computer equipment	Leasehold improvements	Total
Cost: At 1 January 2017	82,189	53,024	386,094	84,501	802,808
Additions Written off	2,401	3,191 (1,769)	41,817 (18,584)	2,598 (864)	50,007 (21,21 <i>7</i>)
Currency alignment	(433)	(878)	(3,018)	7	(4,320)
At 31 December 2017 and 1 January 2018 Additions	84,137 1,224	53,570 12,492	406,309 22,906	86,242 38,596	630,278 75,218
Disposal Weiten off	1	(290)	(30) (00)		(290)
Currency alignment	(136)	(891)	(10,093)	(87)	(11.207)
At 31 December 2018	85,245	59,382	398,627	124,751	668,005
Accumulated depreciation:					
At 1 January $201\overline{7}$	45,169	34,003	299,102	34,704	412,978
Charge for the year	19,610	5,951	45,821	26,559	97,941
Written off	****	1	(18,548)	I	(18,548)
Currency alignment	(371)	(467)	(2,683)	21	(3,500)
At 31 December 2017 and 1 January 2018	64,408	39,487	323,692	61,284	488,871
Charge for the year	16,740	7,743	51,271	36,637	112,391
Disposal		(140)]	ſ	(140)
Written off Chrrency alignment	(659)	(5,499) (759)	(20,355)	(030)	(25,854)
At 31 December 2018	80,489	40,832	344,911	169,76	563,923
Net carrying amount: At 31 December 2017	19,749	14,083	82,617	24,958	141,407
At 31 December 2018	4,756	18,550	53,716	27,060	104,082

IBIZ Consulting Pte. Ltd. and its Subsidiaries (Co. Reg. No. 200715700E)

4. PLANT AND EQUIPMENT (continued)

Company	Communication equipment \$	Furniture and fitting \$	Computer equipment	Leasehold improvements	Total \$
Cost:	•	•	•	•	•
At 1 January 201 / Additions	31,839	12,311	89,829	44,777	178,756
At 31 December 2017 and 1 January 2018	31,839	12,311	89,829	44,777	178,756
Additions	*****	1:	3,110	1	3,110
At 31 December 2018	31,839	12,311	92,939	44,777	181,866
Accumulated depreciation:					
At 1 January 2017	1	I	ı	ı	I
Charge for the year	14,600	2,166	22,713	19,858	59,337
At 31 December 2017 and 1 January 2018	14,600	2,166	22,713	19,858	59,337
Charge for the year	16,377	3,178	36,395	23,322	79,272
At 31 December 2018	30,977	5,344	59,108	43,180	138,609
Net carrying amount: At 31 December 2017	076 71	10 145	67.116	010 70	0110
	1000	CLIFOI	V1.1.	Z 1 3 7 1 3	117,417
At 31 December 2018	862	6,967	33,831	1,597	43,257

5. INVESTMENT IN SUBSIDIARIES

	Comp	any
	2018 \$	2017 \$
Unquoted shares, at cost	1,324,834	1,324,834
Less: Impairment loss	(260,289)	(260,289)
	1,064,545	1,064,545

Details of the subsidiaries at 31 December 2018 are as follows:

Name and principal activities	Country of incorporation	Cost of in	ivestments 2017	Proportion (%) of ownership interest 2018 2017		
Held by the Company IBIZ Consulting Services Pte Ltd		\$	\$	%	%	
(I.T. integrated solution services and I.T. support)	Singapore	799,000	799,000	100	100	
IBIZ Consulting Services Sdn. Bhd. (I.T. integrated solution						
services and I.T. support)	Malaysia	176,675	176,675	100	100	
PT. IBIZCS Indonesia (I.T. integrated solution services and I.T. support)	Indonesia	336,725	336,725	100	100	
IBIZ Consultancy Services India Private Limited (I.T. integrated solution services and I.T. support)	India	10,575	10,575	100	100	
IBIZ Consulting Services Limited						
(I.T. integrated solution services and I.T. support)	Hong Kong	1,859	1,859	100	100	
Held by direct subsidiary — IBIZ Consulting Services Limited IBIZ Consulting Services (Shanghai) Co., Ltd						
(I.T. integrated solution services and I.T. support)	China .	1,324,834	1,324,834	100	100	

6. DEFERRED TAX ASSETS

	Grou	ıp	Com	pany
	2018	2017	2018	2017
	\$	\$	\$	\$
Deferred tax assets:				
Difference in depreciation	14,139	6,281	_	_
Capital allowances carry				
forward		401	_	~~~
Tax losses carry-forward	_	3,291	_	_
Other temporary differences		7,677	••••	_
Total deferred tax assets	14,139	17,650	_	_
Deferred tax assets on temporary differences not				
recognised		(11,369)		
Balance	14,139	6,281	_	

Unrecognised tax losses

As at the end of the reporting period, the Group and Company have unutilised tax losses and capital allowance of approximately \$Nil (2017: \$18,284) and \$10,390 (2017: \$2,226) that are available for offsetting against future taxable profits of the companies in which the losses and capital allowance arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The realisation of these future income tax benefits will only be obtained if the Group and the Company derives future taxable income of a nature and of sufficient amount to enable the tax benefits to be realised and the Group and the Company continues to comply with the conditions imposed by the law.

7. TRADE RECEIVABLES

Trade receivables Less: Allowance for	2,534,195	3,554,812	1,777,674	2,605,862
Expected credit				
losses	(332,690)	(207,082)	(244,499)	(93,694)
	2,201,505	3,347,730	1,533,175	2,512,168

The average credit period on sale of goods is 30 to 90 days (2017: 30 to 90 days). No interest is charged on the trade receivables. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group and Company have recognised a loss allowance of 100% against all receivables over 180 days past due because historical experience has indicated that these receivables are generally not recoverable.

7. TRADE RECEIVABLES (continued)

Receivables that are impaired

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach.

	Lifetime ECL not credit	Lifetime ECL credit	
	impaired	impaired	Total
	Collectively assessed		
	\$	\$	\$
Group			
Balance as at 1 January 2017	_	197,563	197,563
Allowance of expected credit loss	_	104,660	104,660
Amount written off	_	(18,817)	(18,817)
Change in loss allowance derecognised due to			
settlement	_	(77,698)	(77,698)
Foreign exchange gain or loss	_	1,374	1,374
Balance as at 31 December 2017	***	207,082	207,082
Allowance of expected credit loss	*****	223,251	223,251
Amount written off	_	_	-
Change in loss allowance derecognised due to		(TE EA1)	(25 5 41)
settlement Foreign exchange gain or loss	_	(75,541)	(75,541)
Balance as at 31 December 2018		(22,102) 332,690	(22,102) 332,690
Datance as at 31 December 2018		332,090	332,030
Company			
Balance as at 1 January 2017	-	wan	_
Allowance of expected credit loss	***	_	_
Amount written off	_	_	_
Change in loss allowance derecognised due to			
settlement	_	(77,698)	(77,698)
Transfer from subsidiary		171,392	171,392
Foreign exchange gain or loss			
Balance as at 31 December 2017	******	93,694	93,694
Allowance of expected credit loss	_	150,805	150,805
Change in loss allowance derecognised due to settlement			
Foreign exchange gain or loss	-	<u>-</u>	_
Balance as at 31 December 2018		244,499	244,499
Paramet as at 21 Notation will		£17,7/	ムマイクマンノ

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

7. TRADE RECEIVABLES (continued)

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables from contracts with customers based on the Company's provision matrix. As the historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the different customer base.

The following table provides information about the exposure to credit risk and ECLs for trade receivables for individual customers as at 31 December 2018:

	Weighted	Gross im	pairment	
	Weighted average loss rate %	Carrying amount \$	Loss allowance \$	Credit impaired
Group				
2018				
Current (not past due) 1 to 90 days past due 90 to 180 days past due More than 180 days past due	0.03 0.04 0.11 73.67	481,506 1,263,862 333,896 454,931 2,534,195	144 506 367 335,135* 336,152	No No No Yes
2017				
Current (not past due) 1 to 90 days past due 90 to 180 days past due More than 180 days past due	0.03 0.04 0.11 98.27	927,590 2,093,421 322,989 210,812 3,554,812	278 837 355 207,157* 208,627	No No No Yes
Company				
2018				
Current (not past due) 1 to 30 days past due 31 to 60 days past due 61 to 90 days past due More than 90 days past due	0.03 0.04 0.04 0.11 34.56	582,771 122,943 261,483 74,641 735,833 1,777,674	175 49 105 82 254,326* 254,737	No No No No Yes

^{*} In case of non-collection the default rate is 100%,

7. TRADE RECEIVABLES (continued)

		Gross im	pairment	
	Weighted average loss rate %	Carrying amount \$	Loss allowance \$	Credit impaired
Company (continued)				
2017				
Current (not past due)	0.03	893,133	268	No
1 to 30 days past due	0.04	897,122	35 9	No
31 to 60 days past due	0.04	283,524	113	No
61 to 90 days past due	0.11	188,709	208	No
More than 90 days past due	28.74	343,373	98,688*	Yes
	_	2,605,861	99,636	

The Group and the Company are not recognised the loss allowance that are no credit impaired under collectively assessed of \$3,462 and \$10,238 (2017: \$1,545 and \$5,942) respectively.

Trade receivables are denominated in the following currencies:

		Gro	ир	Сотр	any
		2018	2017	2018	2017
		\$	\$	\$	\$
	Others	351,885	336,221	_	
	Malaysia Ringgit	256,723	383,493	_	_
	Singapore Dollar	1,319,463	1,867,449	1,319,182	1,931,632
	United States Dollar	273,434	760,567	213,993	580,536
		2,201,505	3,347,730	1,533,175	2,512,168
8.	OTHER RECEIVABLES				
	Deposits	96,386	87,809	39,741	40,741
	Deferred costs	32,704	15,346		14,503
	Prepayments	52,852	62,341	30,258	15,036
	Staff advances - interest	·	·	,	•
	free	15,274	20,151	3,000	3,000
	Tax recoverable	128,337	69,545	41,799	´-
	Sundry receivables	70,376	38,161	_	_
		395,929	293,353	114,798	73,280
	Other receivables are denon	ninated in the follow	ving currencies:		
	Chinese Renminbi	1,221	1,265	_	_
	India Rupee	95,920	41,306	_	****
	Indonesia Rupiah	26,735	26,696	_	_
	Malaysia Ringgit	15,420	33,114	_	vivote
	Singapore Dollar	42,741	43,741	84,540	43,741
	- -	182,037	146,122	84,540	43,741

9. CONTRACT ASSETS

Contract assets primarily relate to the right to consideration for work completed but not yet billed at reporting date for services rendered. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company invoices the customer.

There were no significant changes in the contract asset balances during the reporting period.

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

The following table provides information about the exposure to credit risk and ECLs for contract assets for individual customers as at 31 December 2018:

	Weighted	Gross im	pairment	
	average loss rate %	Carrying amount \$	Loss allowance \$	Credit impaired
Group				
2018				
Current (not past due) 1 to 90 days past due 90 to 180 days past due More than 180 days past due	0.03 0.04 0.11 2.00	153,644 137,355 34,589 39,319 364,907	46 54 38 786 924	No No No No
2017				
Current (not past due) 1 to 90 days past due 90 to 180 days past due More than 180 days past due	0.03 0.04 0.11 2.00	499,071 54,245 - - 553,316	150 22 - - 172	No No No No
Company				
2018				
Current (not past due) 1 to 90 days past due 90 to 180 days past due More than 180 days past due	0.03 0.04 0.11 2.00	73,872 129,760 9,650 20,747 234,029	22 52 11 415 500	No No No No

9. CONTRACT ASSETS (continued)

		Gross im	Gross impairment		
	Weighted average loss rate %	Carrying amount \$	Loss allowance \$	Credit impaired	
Company (continued)					
2017					
Current (not past due)	0.03	340,259	102	No	
1 to 90 days past due	0.04	54,315	22	No	
90 to 180 days past due	0.11	_	_	No	
More than 180 days past due	2,00	_	_	No	
	-	394,574	124		

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

During the financial year, the Company had write off the contract asset of \$51,683 for unbilled project completed in year 2017 due to the project were in dispute and unable to bill.

10. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

	Company	
	2018	2017
	\$	\$
Amount due from subsidiary companies		
Trade	516,611	440,755
Non-trade	2,989	2,989
	519,600	443,744
The amounts due from subsidiary companies are denominate Singapore Dollar Hong Kong Dollar United States Dollar	d in the following curi 331,196 148 188,256	331,196 112,548
	519,600	443,744
Amount due to subsidiary companies Trade Non-trade	(137,563) (434,447) (572,010)	(102,310) (871,559) (973,869)

10. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES (continued)

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

	Company		
	2018	2017	
	\$	\$	
Malaysia Ringgit	(35,566)	(23,584)	
Singapore Dollar	(129,562)	(625,624)	
United States Dollar	(406,882)	(324,661)	
	(572,010)	(973,869)	

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

11. AMOUNTS DUE FROM RELATED COMPANIES

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

12. CASH AND CASH EQUIVALENTS

	Gro	oup	Comp	any
	2018	2017	2018	2017
	\$	\$	\$	\$
Cash at bank	1,988,472	1,351,301	227,442	275,593
Cash on hand	2,807	2,348	1	1
Short term deposit	565,903		_	
-	2,557,182	1,353,649	227,443	275,594
Chinese Renminbi	512,802	360,465		_
Hong Kong Dollar	5,306	4,480		_
India Rupee	93,664	112,124		_
Indonesia Rupiah	967,085	531,995	_	_
Malaysia Ringgit	297,646	29,734		
Singapore Dollar	548,804	239,640	174,013	228,003
United States dollar	131,876	75,211	53,430	47,591
omica otatos acital	2,557,182	1,353,649	227,443	275,594
	2,007,102	1,323,047	221,443	413,374

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term deposits are made for a varying periods of three months depending on the immediate cash requirements of the Company, and earn interests at the respective short term deposit rates range from 7% to 7.6%% (2017; Nil%) per annum.

13. TRADE PAYABLES

		Gra	oup	Comp	anv
		2018	2017	2018	2017
		\$	\$	\$	\$
	Third party	1,478,337	1,537,994	1,098,319	1,163,650
	Related companies	16,295	13,749	16,295	13,749
		1,494,633	1,551,743	1,114,614	1,177,399
	Trade payable are denominate	ed in the following	g currencies:		
	Others	64,527	130,200	_	_
	Malaysia Ringgit	171,095	225,818	_	_
	Singapore Dollar	790,545	741,163	790,544	740,665
	United States dollar	468,466	454,562	324,070	436,734
	•	1,494,633	1,551,743	1,114,614	1,177,399
14.	OTHER PAYABLES				
	Accrued liabilities	179,583	482,658	124,520	256,956
	Accrued salaries and related	•	,	,	
	cost	288,397	127,263	53,075	102,505
	GST payables	168,486	187,995	75,716	145,500
	Deferred grants	13,490	26,309	13,490	26,309
	Advance from customer	15,317		, 	_
	Provision for unutilised	-			
	leave	39,328	45,696	29,690	42,884
	Withholding tax payable	94,793	81,300	· —	
	Sundry payables	22,847	25,781	(1,726)	21,880
	•	822,241	977,002	294,765	596,034
	Other payable are denominate	d in the following	currencies:		
	Chinese Renminbi	(1,017)	49,264	_	_
	Hong Kong Dollar	2,559	2,360	_	_
	Malaysia Ringgit	48,746	61,002	_	_
	Singapore Dollar	194,645	425,954	175,869	424,225
	India Rupee	84,281	78,850		ال مكاملة و ا⊤سده
	Indonesia Rupiah	161,613	104,853	_	_
		,	,		
	United States Dollar	_	_		****

15. CONTRACT LIABILITIES

Revenue relating to the customer pays up-front in full for those implementation and support service, and hosting service. A contract liability is recognised these services at the time of the initial sales transaction and is released over the service period.

There were no significant changes in the contract liability balances during the reporting period.

16. TAX PAYABLE

	Group		Com	pany
	2018	2017	2018	2017
	\$	\$	\$	\$
Balance at beginning of year	107,601	105,714	59,378	_
Current year's tax expense		·	-	
on profit	88,478,	146,516	_	59,378
Currency alignment	(2,415)	1,602	_	****
Income tax paid	(164,852)	(164,807)	(49,965)	_
(Over)/under provision in		,	, ,	
prior year	(131,590)	18,576	(51,213)	_
Reclassified as tax			. , .	
recoverable	128,337	_	41,800	_
Balance at end of year	25,559	107,601		59,378

17. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares	\$	Number of shares	\$
Issued and fully paid: Ordinary shares	1,151,000	1,151,000	1,151,000	1,151,000

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

18. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange difference arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency.

19. REVENUE

	Group	
	2018	2017
	\$	\$
Type of goods and services:		
Sale of licence	3,832,848	4,411,712
Sale of hardware	190,046	302,713
Rendering of services	4,951,699	4,766,913
Annual maintenance and support service	1,387,003	911,372
Hosting service	452,025	338,613
	10,813,621	10,731,323

19.	REVENUE (continued)		
		Gro	เก
		2018	2017
		\$	\$
	Timing of revenue recognition:		
	Goods transferred at a point in time	4,022,894	4,714,425
	Services transferred over time	6,790,727	6,016,898
		10,813,621	10,731,323
20.	OTHER OPERATING INCOME		
	Government grants - Special employment credit	1,846	9,443
	- Wage credit scheme	3,545	3,389
	- Temporary employment scheme	4,631	2,753
	- PIC cash payout	32,871	38,743
	Interest income	15,640	5,119
	Commission income	7,483	17,100
	Sundry income	20,585	61,448
		86,601	137,995
21.	STAFF COSTS		
	Salaries, bonuses and others	4,777,050	4,251,637
	Contribution to defined contribution plan	318,105	255,492
	Others	21,521	14,269
	Total employee benefits	5,116,675	4,517,663
	Skill development levy	4,843	3,735
		5,121,518	4,521,398
22.	FINANCE COSTS		
	Interest expense on:		
	- Overdraft bank	1,041	1,605
	- related parties	_	342
	- others		800
		1,041	2,747
23.	OTHER EXPENSES		
	The other expenses are arrived at after charging:		
	Loss on disposal of equipment	101	***
	Plant and equipment written off	_	2,344
	Foreign exchange adjustment, loss	76,701	26,881

24. INCOME TAX EXPENSE

(i) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

Statement of comprehensive income:

	Group	
	2018	2017
	\$	\$
Current tax	88,478	146,516
(Over)/under provision in prior year	(51,213)	18,576
Deferred tax	(148)	(3,600)
	37,117	161,492

(ii) Relationship between tax expense and accounting profit

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2018 and 2017 are as follows:

Profit before tax	447,707	973,166
Tax at domestic rates applicable to profit in the country where the Group operates	76,110	165,438
Adjustments:		
Tax effect of expenses that are not deductible in		
determining taxable profit	77,018	131,950
Effect of differences in tax rates	(3,020)	(17,751)
Income not subject to tax	(49,463)	(80,050)
Tax exemption	(2,518)	(35,925)
Tax effect of temporary differences not recognised	(5,000)	(15,909)
Over provision in current year		(4,837)
(Over)/under provision in prior year	(51,213)	18,576
Others	(4,797)	_
Total tax expense	37,117	161,492

25. OPERATING LEASE COMMITMENTS

The Group has entered into commercial leases mainly on equipment, networking, office premise and furniture rental. These leases have an average life of between 2 and 5 years with no renewal option or contingent rent provision included in the contracts. There are no restriction placed upon the Company by entering into these leases.

25. OPERATING LEASE COMMITMENTS (continued)

Future minimum lease payments payable under non-cancellable leases as at 31 December are as follows:

	Group	
	2018 \$	2017 \$
Not later than one year	271,304	254,342
Later than one year but not later than five years	116,349	316,276
	387,653	570,618

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to \$286,364 (2017: \$254,153).

26. RELATED PARTY DISCLOSURES

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

(i) Significant related party transactions

	Group		Comp	any
	2018	2017	2018	2017
	\$	\$	\$	\$
Related party Outsourcing services				
income	643,813	****	597,566	_
Professional fee	154,322	48,150	50,000	48,150
Subsidiaries				
Advances from	_	****	526,096	816,936
Net assets transferred	_		_	669,932

(ii) Compensation of key management personnel

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

	Gro	Group		
	2018	2017		
	\$	\$		
Directors' fee	2,006	1,927		
Directors' remuneration - Company	229,090	252,240		

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, foreign currency risk and liquidity risk. The Group's risk management policies focus on the unpredictability of financial markets and seek to, where appropriate, minimise potential adverse effects on the financial performance of the Group. The Group does not have any written financial risk management policies and guidelines and there has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Group's exposure to the financial risks associated with financial instruments held in the ordinary course of business and the objectives, policies and processes for the management of these risks.

(i) Credit risk

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

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposures. Credit policies with guidelines on credit terms and limits set the basis for risk control. New customers are subject to credit evaluation while the Group continues to monitor existing customers, especially those with repayment issues. In addition, appropriate allowances are made for probable losses when necessary for identified debtors.

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

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

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

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

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit- impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is creditimpaired.	Lifetime ECL - credit- impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and has no realistic prospect of recovery.	Amount is written off

The tables below detail the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
Group					*	•	Ψ
2018							
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified approach)	2,534,195	332,690	2,201,505
Other receivables	8	N.A.	Performing	12m ECL	395,929	_	395,929
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	364,907	_	364,907
Amounts due from related companies	11	N.A.	Performing	12m ECL	153,840	332,690	153,840
2017							
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified approach)	1,777,674	244,499	1,533,175
Other receivables	8	N.A.	Performing	12m ECL	293,353	_	293,353
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	553,316	_	553,316
				-		244,499	

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
Company					4	Ф	-9
2018							
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified approach)	1,777,674	244,499	1,533,175
Other receivables	8	N.A.	Performing	12m ECL	114,798	-	114,798
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	234,029	-	234,029
Amounts due from related companies	10	N.A.	Performing	12m ECL	519,600	244,499	51 9, 600
2017						· · · · · · · · · · · · · · · · · · ·	•
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified approach)	2,605,862	93,694	2,512,168
Other receivables	8	N.A.	Performing	12m ECL	73,280	_	73,280
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	394,574	•••	394,574
Amounts due from related companies	10	N.A.	Performing	12m ECL	443,744	_	443,744
						93,694	

(a) For trade receivables and contract assets, the Group has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix (Note 7 and note 9).

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet. No other financial assets carry a significant exposure to credit risk.

Credit visk concentration profile

At the end of the reporting period, there were no significant concentrations of credit risk due to the Group's many varied customers.

It is the Group's policy to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group operates and sells their goods and services in several countries other than Singapore and transacts in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to United States dollar (USD), Chinese Renminbi (RMB), Malaysia Ringgit (MYR) and Indonesia Rupiah (IDR).

Sensitivity analysis for foreign currency risk

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

	Profit before tax		
	2018	2017	
	\$	\$	
USD			
strengthened 2% (2017: 8%)	(1,332)	28,059	
- weakened 2% (2017: 8%)	1,332	(28,059)	
TOD			
IDR			
strengthened 4% (2017: 8%)	49,008	53,561	
– weakened 4% (2017: 8%)	(49,008)	(53,561)	

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group objective is to maintain a balance between continuity of funding and flexibility through the use of standby credit facilities.

The Group's liquidity risk management policy is to monitor its working capital projections, taking into account the available banking and other borrowings facilities of the Group, and ensuring that the Group has adequate working capital to meet obligations and commitments due.

The maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments are due within one year.

28. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

	Group		Сотрапу		
	2018	2017	2018	2017	
	\$	\$	\$	\$	
Loans and receivables					
Trade receivables	2,201,505	3,347,730	1,533,175	2,512,168	
Other receivables	182,036	146,122	84,540	43,74 1	
Contract assets	364,907	553,316	234,029	394,574	
Amounts due from		,		22.327.	
subsidiary companies	_	*****	519,600	443,744	
Amounts due from related			213,000	, , ,	
companies	153,840		_		
Cash and cash equivalents	2,557,182	1,353,649	227,443	275,594	
•	5,459,470	5,400,817	2,598,787	3,666,821	
Financial liabilities at amortised cost					
Trade payables	1,494,633	1,551,743	1,114,614	1,177,399	
Other payables	490,827	635,702	175,869	424,225	
Contract liabilities	1,051,092	1,079,857	550,853	869,406	
Amounts due to subsidiary				•	
companies	_		572,010	973,869	
	3,036,552	3,267,302	2,413,346	3,444,899	

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(i) Fair value bierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,
- Level 2 Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 Unobservable inputs for the asset or liability.

The Group has no financial instruments that are carried at fair value at the end of each reporting period.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Current trade and other receivables and payables (including amounts due from/(to) related companies), cash and cash equivalents, and accrued operating expenses.

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

30. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares, funding from holding company or obtain new borrowings.

The Group's overall strategy remains unchanged for 2017 and it is not subject to externally imposed capital requirements.

The Group monitors its cash flow, debt maturity profile and overall liquidity position on a continuous basis.

31. CONTINGENT LIABILITY FOR FINANCIAL SUPPORT

The Company has undertaken to provide financial support to one of its subsidiaries to enable it to operate as a going concern and to meet its obligations for a period of not less than twelve months from the date of the directors' report.

32. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequently to the balance sheet date, IBIZ Consulting Services Pte Ltd, a subsidiary of the Company is in the process of entering into a share purchase agreement with immediate holding company, R Systems (Singapore) Pte. Ltd. at the consideration based on its net tangible assets as at 31 December 2018.

33. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 30 January 2019.

Indian Subsidiary

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IBIZ CONSULTANCY SERVICES INDIA PRIVATE LIMITED

Report on the Financial Statements

1. We have audited the accompanying financial statements of IBIZ CONSULTANCY SERVICES INDIA PRIVATE LIMITED ("the Company"), which comprise the Balance Sheet as at 31st December 2018 and the Statement of Profit and Loss, Cash Flow Statement and Statement of Changes in Equity from 01.01.2018 to 31.12.2018, and a summary of the significant accounting policies and other explanatory information, which is prepared based on the Indian Accounting Standards (Ind AS).

Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under section 143(11) of the Act..

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Other Matters

4. The comparative financial information of the Company for the year ended December 31, 2017 and for the transition date opening balance sheet as at January 01, 2017 included in these financial statements, are based on the financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 to comply with Ind AS. Adjustments made to the previously issued said financial information prepared in accordance with the Companies (Accounting Standards) Rules, 2006 to comply with Ind AS have been audited by us.

Our opinion on the financial statements is not modified in respect of these matters.

Restriction of use

5. Without modifying our opinion, we note that this special purpose financial information is prepared for the purposes of providing information to IBIZ Group Pte Limited to enable it to prepare the consolidated financial statements of the group. As a result, the special purpose financial information is not a complete set of financial statements of IBIZ CONSULTANCY SERVICES INDIA PRIVATE LIMITED. The special purpose financial may be filed with statutory authorities for required compliances. The special purpose financial information also can be used by the auditors of IBIZ Group Pte Limited or R Systems International Limited to issue any certificate in this regard.



Opinion

- 6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st December 2018, and its loss, its cash flows and the changes in equity for the year then ended.
- 7. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, Cash Flow Statement and Statement of Changes in Equity, dealt with by this Report, are in agreement with the books of account.
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act to the extent applicable for preparation of this special purpose financial statement.
 - (e) Further, with respect to the adequacy of the internal financial controls over financial reporting of the Company, and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

For S. Ravi & Associates Chartered Accountants Firm Reg. No.: 009261S

S. Ravi Proprietor

Membership No.: 204618

Place: Chennai Date: 23.01.2019

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

Report on the Internal Financial Controls Over Financial Reporting

We have audited the internal financial controls over financial reporting of IBIZ CONSULTANCY SERVICES INDIA PRIVATE LIMITED ("the Company") as of December 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at December 31, 2018, based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S. Ravi & Associates Chartered Accountants Firm Reg. No.: 009261S

S. Ravi

Proprietor

Membership No.: 204618

Place: Chennai Date: 23.01.2019

IBIZ CONSULTANCY SERVICES INDIA PRIVATE LIMITED Balance Sheet as at December 31, 2018

			(Rs. in '000)
Notes	As at December 31, 2018	As at December 31, 2017	As at January 1, 2017
3	478.77	316.32	781.85
19	795.17	299.75	225.9
	3,299.81	1,820.85	1,706.2
4	1,212.90	1,212.90	1,212.9
	5,786.65	3,649.82	3,926.93
5	6,799.17	8,667.64	7,324.78
6	4,774.62	5,349.91	1,782.8
	1,272.83	1,205.80	
7	3,822.34	679.03	195.4
	16,668.96	15,902.38	9,303.03
	22,455.61	19,552.20	13,229.9
8	500.00	500.00	500.0
9	(5,848.48)	(4,009.77)	(6,858.57
	(5,348.48)	(3,509.77)	(6,358.57
10	473.77	444.03	320.7
11	5,093.94	4,309.37	2,570.6
12	-	549.99	2.01.00.0000000000000000000000000000000
13	22,236.38	17,758.58	16,697.1
	27,804.09	23,061.97	19,588.53
	27,804.09	23,061.97	19,588.53
	22,455.61	19,552.20	13,229.96
2			
	3 19 4 5 6 7 8 9	December 31, 2018 3 478.77 19 795.17 3,299.81 1,212.90 5,786.65 5,786.65 5 6,799.17 6 4,774.62 1,272.83 3,822.34 16,668.96 22,455.61 8 500.00 9 (5,848.48) (5,348.48) 10 473.77 11 5,093.94 12 - 13 22,236.38 27,804.09 22,455.61	December 31, 2017 3 478.77 316.32 19 795.17 299.75 3,299.81 1,820.85 4 1,212.90 1,212.90 5,786.65 3,649.82 5 6,799.17 8,667.64 6 4,774.62 5,349.91 1,272.83 1,205.80 7 3,822.34 679.03 16,668.96 15,902.38 22,455.61 19,552.20 8 500.00 500.00 9 (5,848.48) (4,009.77) (5,348.48) (3,509.77) 10 473.77 444.03 11 5,093.94 4,309.37 12 - 549.99 13 22,236.38 17,758.58 27,804.09 23,061.97 27,804.09 23,061.97 22,455.61 19,552.20

See accompanying notes forming part of the financial In terms of our report attached

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For S Ravi & Associates

Chartered Accountants & ASS FRN: 009261S

S Ravi

Proprietor M No 204618

Place : Chennai Date: 23.01.2019

For and on behalf of the Board of Directors of IBIZ CONSULTANCY SERVICES INDIA PRIVATE LIMITED

K. Gunalan

Director DIN:02656902

Place: Singapore

K. Sornanathan

Director DIN:06954003

Place: Chennai Date: 23.01.2019 Date: 23.01.2019

IBIZ CONSULTANCY SERVICES INDIA PRIVATE LIMITED Statement of Profit and Loss for the year ended December 31, 2018

				(Rs. in '000)
Parti	culars	Notes	For the year ended December 31, 2018	For the year ended December 31, 2017
	INCOME			
I	Revenue from operations	14	32,045.45	30,026.33
II	Other income	15		45.29
III	Total income (I+II)	_	32,045.45	30,071.62
IV	EXPENSES			
	(i) Third party expenses	16	6,623.96	5,828.36
	(ii) Employee benefits expense	17	21,254.01	16,556.50
	(iii) Depreciation	3	308.74	339.90
	(iv) Other expenses	18	5,932.95	4,021.87
	Total expenses (IV)	13 	34,119.66	26,746.63
v	(Loss)/Profit before tax (III-IV)	_ =	(2,074.21)	3,324.99
VI	Tax expense			
	(i) Current tax	19	259.92	549.99
	(ii) Deferred tax (net of MAT credit entitlement)	19	(495.42)	(73.80)
	Total tax expense		(235.50)	476.19
VII	(Loss)/Profit after tax for the year (V-VI)	_	(1,838.71)	2,848.80
VIII	Total comprehensive (loss)/income for the year	_	(1,838.71)	2,848.80
	Earnings per share (EPS) [Nominal value of shares Rs. 10/- each (Previous year Rs. 10/- each)]	20		
	Basic (in Rs.)		(36.77)	56.98
	Diluted (in Rs.)		(36.77)	56.98
	Summary of significant accounting policies	2		
	See accompanying notes forming part of the financial s In terms of our report attached	statements		

For S Ravi & Associates Chartered Accountants

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FRN: 0092615

S Ravi Proprietor M No 204618

Place : Chennai Date: 23.01.2019

For and on behalf of the Board of Directors of IBIZ CONSULTANCY SERVICES INDIA PRIVATE LIMITED

K. Gunalan Director DIN:02656902

Singapore Date: 23.01.2019

K. Sornanathan Director DIN:06954003

Chennai Date: 23.01.2019

IBIZ CONSULTANCY SERVICES INDIA PRIVATE LIMITED Statement of changes in equity for the year ended December 31, 2018

Particulars a. Equity share capital (Rs. in '000) Balance at January 1 2017 500 Changes in equity share capital during the year Balance at December 31, 2017 500 Changes in equity share capital during the year Balance at December 31, 2018

b. Other equity

Particular	Retained earnings	Total other equity
Balance at January 1 2017	(6,858.57)	(6,858.57)
Profit for the year	2,848.80	2,848.80
Balance at December 31, 2017	(4,009.77)	(4,009.77)
Profit for the year	(1,838.71)	(1,838.71)
Balance at December 31, 2018	(5,848.48)	(5,848.48)

See accompanying notes forming part of the financial statements

In terms of our report attached.

For S Ravi & Associates

Chartered Accountants

FRN: 0092615 8 ASSO S Ravi 600004

Proprietor M No 204618 CRED ACCC

Place: Chennai Date: 23.01.2019 For and on behalf of the Board of Directors of IBIZ CONSULTANCY SERVICES INDIA PRIVATE LIMITED

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K. Gunalan Director

DIN:02656902

Place: Singapore Date: 23.01.2019 K. Sornanathan

Director DIN:06954003

Place: Chennai Date: 23.01.2019

IBIZ CONSULTANCY SERVICES INDIA PRIVATE LIMITED Cash flow statement for the year ended December 31, 2018

Pa	rticulars Note	es	For the year ended December 31, 2018	(Rs. in '000) For the year ended December 31, 2017
Α.	Cash flow from operating activities			
	Net profit / (loss) before tax		(2,074.21)	3,324.99
	Adjustments for:		(4)	5,5255
	Depreciation		308.74	339.90
	Unrealised foreign exchange fluctuation		955.51	124.15
	Loss on sale / discard of fixed assets (net)			106.92
	Provision for doubtful debts and advances (net)		1,301.03	239.16
	Operating profit before working capital changes		491.07	4,135.12
	Movements in working capital:			
	(Increase) / Decrease in trade receivables		(388.07)	(1,706.17)
	(Increase) / Decrease in unbilled revenue		(67.03)	(1,205.80)
	(Increase) / Decrease in others assets		(3,143.31)	(483.62)
	Increase / (Decrease) in Trade and other payable		4,507.54	1,184.72
	Increase / (Decrease) in other financial liabilities		784.57	1,738.73
	Cash generated from operations	-	2,184.77	3,662.98
	Direct taxes paid, net of refunds	-	(2,288.87)	(114.62)
	Net cash from operating activities (A)	-	(104.10)	3,548.36
В.	Cash flows from investing activities			
-	Purchase of Property, plant and equipment		(471.19)	72
	Proceeds from sale of Property, plant and equipment		(18.71
	Net cash from investing activities (B)		(471.19)	18.71
c.	Cash flows used in financing activities	-		-
Ne	t increase / (decrease) in cash and cash equivalents (A + B + C)	(575.29)	3,567.07
	d: Cash and cash equivalents at the beginning of the year		5,349.91	1,782.84
	sh and cash equivalents at the end of the year (refer note 6)	-	4,774.62	5,349.91

Summary of significant accounting policies

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2.1

See accompanying notes forming part of the financial statements

In terms of our report attached

For S Ravi & Associates

Chartered Accountants FRN: 0092615

S Ravi Proprietor M No 204618

Place : Chennai Date: 23.01.2019 For and on behalf of the Board of Directors of IBIZ CONSULTANCY SERVICES INDIA PRIVATE LIMITED

K. Gunalan

Director DIN:02656902

Place: Singapore Date: 23.01.2019 K. Sornanathan

Director DIN:06954003

Place: Chennal Date: 23.01.2019

1. Nature of operations

IBIZ Consultancy Services India Private Limited. (The "Company") is a subsidiary of IBIZ Consulting Pte Ltd (Formerly IBIZCS Group Pte Ltd.), a company incorporated in Singapore. IBIZ Consulting Pte Ltd.'s immediate holding company is R System (Singapore) Pte Ltd., a company incorporated in Singapore. Further, R System (Singapore) Pte Ltd is subsidiary of R System International Limited, a company incorporated in India. The registered office of the Company is located at Plot, No. NP 1&2, Industrial Estate, SIDCO Industrial Estate, Guindy, Chennai – 600032.

The principal activities of the Company is to provide information technology, consulting and implementing services on enterprise resource planning, customer relationship management, point of sales, mobility, business intelligence and portals. Hence, the Company operates in only one business segment.

2. Significant Accounting Policies

(a) Statement of compliance

In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015. These are the Company's first Ind AS financial statements. The date of transition is January 1, 2017. Previous year's numbers in the financial statements have been restated to Ind AS. In accordance with Ind AS 101 First-time Adoption of Indian Accounting Standards, the Company has presented a reconciliation from the presentation of financial statements under Accounting Standards notified under Section 133 of the Companies Act, 2013 and other accounting principles generally accepted in India ("Previous GAAP") to Ind AS of Shareholders' equity as at December 31, 2017 and January 1, 2017 and of the comprehensive net income and cash flows for the year ended December 31, 2017 (refer Note XX).

(b) Functional and presentation currency

These finance statement are presented in Indian Rupee (INR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest thousand, unless otherwise indicated.

(c) Basis of preparation and presentation

The financial statements of the Company have been prepared under the historical cost convention on an accrual and going concern basis except for certain financial instruments which have been measured at fair value. Historical cost is generally based on the fair value of consideration given in exchange of goods and services.

Based on the nature of activities of the Company and the normal time between acquisition of assets and their realization in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.



In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any.

The cost comprises the purchase price and directly attributable costs of bringing the asset to its working condition for its intended use. Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it is probable that future economic benefits associated with the item will flow to the Company.

Gains or losses arising from disposal of Property, Plant and Equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values using the straight line method ('SLM') over the useful lives of the assets estimated by the management. The assets residual values and useful lives are reviewed at each financial year end or whenever there are indicators for review, and adjusted prospectively.

The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets and are in align with Part C of Schedule II of the Companies Act 2013.

The management estimates the useful lives for the property, plant and equipment as follows:

Category	<u>Useful life</u>
Air conditioners	5 years
Computer hardware and network installations (other than end user devices)	6 years
End-user devices such as desktop, laptop, mobile phones etc.	3 years
Furniture and fittings	10 years
Electrical Installation	10 years

(e) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities





(other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(f) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

- (i) Debt instruments that meet the following conditions are subsequently measured at amortised cost (except for debt instruments that are designated as at fair value through profit or loss on initial recognition):
 - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
 - the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- (ii) Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI) (except for debt instruments that are designated as at fair value through profit or loss on initial recognition):
 - the asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and
 - the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income is recognised in profit or loss for FVTOCI debt instruments. For the purposes of recognising foreign exchange gains and losses, FVTOCI debt instruments are treated as financial assets measured at amortised cost. Thus, the exchange differences on the amortised cost are recognised in profit or loss and other changes in the fair value of FVTOCI financial assets are recognised in other comprehensive income and accumulated under the heading of 'Reserve for debt instruments through other comprehensive income'. When the investment is disposed of, the cumulative gain or loss previously accumulated in this reserve is reclassified to profit or loss.

All other financial assets are subsequently measured at fair value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. Interest income is recognised in profit or loss and is included in the "Other income" line item.

(iii) Investments in equity instruments at FVTOCI

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to present the subsequent changes in fair value in other comprehensive income pertaining to investments in equity instruments. This election is not permitted if the equity investment is held for trading. These elected investments are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the 'Reserve for equity instruments through other comprehensive income'. The cumulative gain or loss is not reclassified to profit or loss on disposal of the investments.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profittaking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

(iv) Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Company irrevocably elects on initial recognition to present subsequent changes in fair value in other comprehensive income for investments in equity instruments which are not held for trading.

Debt instruments that do not meet the amortised cost criteria or FVTOCI criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria or the FVTOCI criteria but are designated as at FVTPL are measured at FVTPL.

A financial asset that meets the amortised cost criteria or debt instruments that meet the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instrument as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'Other income' line item. Dividend on financial assets at FVTPL is recognised when the Company's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Company, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

De-recognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for

amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

- (i) For foreign currency denominated financial assets measured at amortised cost and FVTPL, the exchange differences are recognised in profit or loss except for those which are designated as hedging instruments in a hedging relationship.
- (ii) Changes in the carrying amount of investments in equity instruments at FVTOCI relating to changes in foreign currency rates are recognised in other comprehensive income.
- (iii) For the purposes of recognising foreign exchange gains and losses, FVTOCI debt instruments are treated as financial assets measured at amortised cost. Thus, the exchange differences on the amortised cost are recognised in profit or loss and other changes in the fair value of FVTOCI financial assets are recognised in other comprehensive income.

(g) Financial liabilities

For the purpose of subsequent measurement, financial liabilities are classified as:

- Financial liabilities at amortized cost
 - Financial liabilities such as loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. The change in measurements is recognized as finance costs in the statement of profit and loss.
- Financial liabilities at fair value through profit or loss (FVTPL)
 - Financial liabilities at FVTPL represented by contingent consideration are measured at fair value with all change recognised in the statement of profit and loss.

De-recognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

The Company also derecognise a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial lability with modified terms is recognised in statement of profit and loss.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in 'Other income'.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in statement of profit or loss.

(h) Impairment

i. Financial assets

The Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on financial assets measured at amortized cost and financial assets that are debts instruments and are measured at fair value through other comprehensive income (FVTOCI). ECL is the difference between contractual cash flows that are due and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

For trade receivables, the Company recognizes impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. For other financial assets, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used.

ii. Non-financial assets

The carrying amounts of Property, Plant and Equipment are reviewed at each balance sheet date or whenever there is any indication of impairment based on internal/external factors. If any indications exist, the Company estimates the asset's recoverable amount.

Recoverable amount of intangible under development that is not yet available for use is estimated at least at each financial year end even if there is no indication that the asset is impaired.

An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

(i) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Where the Company is a lessee

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.



(j) Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company, there is no uncertainty as to the ultimate collection and the revenue can be reliably measured.

i) Income from software services

Rendering of services

Revenue from software development and maintenance services projects comprise income from time-and-material and fixed-price contracts.

Revenue with respect to time and material basis is recognised when services are rendered.

Fixed-price contracts vary in duration depending on the terms of the work being performed. Revenue from fixed price contracts is recognised using the percentage of completion method, when reasonable progress has been made on the milestones achieved as specified in the contracts. The stage of completion of project is determined by the proportion that contract efforts incurred for work performed up to the balance sheet date bear to the estimated total contract effort. Changes in contract performance, estimated profitability and final contract settlements may result in revision to costs and revenue and are recognised in the period in which the revisions are determined. If a loss is projected on any contract in process, the entire projected loss is recognised immediately.

In terms of contracts, excess / shortfall of revenue over the billed as at the year end is carried in financial statement as unbilled revenue / unearned revenue separately.

Sale of products

Revenue from the sale of product (software and hardware) is recognised when the significant risks and rewards associated with the ownership is transferred to the buyer.

Revenue from maintenance/subscription services is recognized over the term of subscription period.

(k) Foreign currency transactions and balances

Foreign currency transactions are recorded in the functional currency of the Company, by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the exchange rate prevailing at the reporting date. Non- monetary items, which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates at the date when the values were determined.

Exchange differences

Exchange differences arising on conversion / settlement of foreign currency monetary items and on foreign currency liabilities relating to Property, Plant and Equipment acquisition are recognized as income or expenses in the year in which they arise.



(i) Employee benefits

The Company participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Company. The present value of the defined benefit obligations is calculated using the projected unit credit method.

- (i) The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service.
- (ii) The Company's contribution to provident fund and other social security plans are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees

(iii) Compensated absences

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilised accumulating compensated absences and utilise it in future periods or receive cash at retirement or termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

(m) Income taxes

Tax expense comprises of current and deferred tax.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of temporary differences between tax base of assets and liabilities and their carrying amounts. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax assets are recognized only to the extent that sufficient future taxable income will be available against which such deferred tax assets can be realized. The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which such deferred tax assets can be realized.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. MAT credit available is recognized as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the period, i.e., the period for which MAT credit is allowed to be carried forward.

(n) Segment reporting

The Company provides information technology, consulting and implementing services for customers primarily in India and South East Asia. The Board of Directors of the Company evaluates the Company's performance as a single unit. Therefore, there is no reportable segment for the Company.

(o) Earnings per share (EPS)

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the reporting period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares), if any occurred during the reporting period, that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit for the year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the year, are adjusted for the effects of all dilutive potential equity shares.

(p) Provisions

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on the best estimate required to settle the obligation at the reporting date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably.

(r) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprises of cash at bank, cash in hand and short term deposits with an original maturity period of three months or less.

(s) Use of estimates and judgement

The preparation of the financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the end of year. These estimates are based on the management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates

i. Revenue recognition

The Company uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the Company to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards



completion. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

ii. Income taxes

The Company's major tax jurisdictions is India, though the Company also files tax returns in other overseas jurisdictions. Significant judgements are involved in determining the provision for income taxes.

The Company reviews carrying amount of deferred tax assets at the end of each reporting period.

New standards and interpretations not yet adopted

- a. Appendix B to Ind AS 21, Foreign currency transactions and advance consideration: On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from April 1, 2018. The Company has evaluated the effect of this on the financial statements and the impact is not material.
- b. Ind AS 115- Revenue from Contract with Customers: On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

- Retrospective approach Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors
- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach).

The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018.

The Company will adopt the standard on January 1, 2019 by using the cumulative catch-up transition method and accordingly comparatives for the year ending December 31, 2018 will not be retrospectively adjusted. The effect on adoption of Ind AS 115 is expected to be insignificant.



3. Property, plant and equipment

Particulars	Computers & Peripheral	Furniture & Fittings	Electrical Equipments	Air Conditioner	(Rs. in '000) Total
Gross Block					
As at January 1, 2017 Additions	7,019.67	303.58	102.09	74.60	7,499.94
Disposals	-	(249.17)	(102.09)	(74.60)	
As at December 31, 2017	7,019.67	54.41	(102.09)	(74.60)	(425.86)
Additions Disposals	471.19	-		-	7,074.08 471.19
As at December 31, 2018	7,490.86	54.41		-	
Accumulated Depreciation As at January 1, 2017 Charge for the year Disposals	6,387.65 327.27	197.10 12.63 (166.89)	58.74 (58.74)	74.60	7,545.27 6,718.09 339.90
As at December 31, 2017	6,714.92	42.84	(30.74)	(74.60)	(300.23)
Charge for the year Disposals	301.64	7.10			6,757.76 308.74
As at December 31, 2018	7,016.56	49.94	-		7,066.50
Carrying amount					7,000.50
As at January 1, 2017	632.02	106.48	43.35		704.05
As at December 31, 2017	304.75	11.57	43.33	-	781.85
As at December 31, 2018	474.30	4.47			316.32 478.77



	a territoria	(Rs. in '000)
As at December 31, 2018	As at December 31, 2017	As at January 1, 2017
		January 1, 2017
1,212.90	1,212,90	1,212.90
1,212.90	1,212.90	1,212.90
6,799.17	8 667 64	7,324.78
1,540.19	239.16	7,324.76
8,339.36	8,906.80	7,324.78
1,540.19	239.16	
6,799.17	8,667.64	7,324.78
	6,799.17 1,540.19 8,339.36 1,540.19	1,212.90 1,212.90 1,212.90 1,212.90 1,212.90 1,212.90 6,799.17 8,667.64 1,540.19 239.16 8,339.36 8,906.80 1,540.19 239.16

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss towards expected risk of delays and default in collection.

The Company uses judgements in making certain assumptions and selecting inputs to determine impairment of these trade receivables, based on the Company's historical experience towards potential billing adjustments, delays and defaults at the end of each reporting period. The provision matrix used to compute the expected credit loss allowance for different categories of trade receivables is as follows.

Ageing	Default rate *		
Not due	0.03%		
0-90 days	0.04%		
90-180 days	0.11%		
More than 180 days	2.00%		
Movement in expected credit loss allowance			
Balance at the beginning of the year	239.16		
Balance at the beginning of the year Movement in the expected credit loss allowance on trade receivables	239.16 1,301.03	239.16	

6. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the financial year as shown in the Ind AS statement of cash flows can be reconciled to the related items in the Ind AS balance sheet as follows:

6.06	1.18	6.02
4,768.56	5,348.73	1,776.82
4,774.62	5,349.91	1,782.84
- 22.20	26.30	117.60
	652.72	-
3,822.34	72.701.7	77.81 195.41
	4,768.56 4,774.62 32.20 3,790.14	4,768.56 5,348.73 4,774.62 5,349.91 - 26.30 32.20 3,790.14 652.73



Particulars		As at December 31, 2018	As at December 31, 2017	(Rs. in '000) As at
. Share capital		December 31, 2016	December 31, 2017	January 1, 2017
Authorised				
50000 (50000 as at December 31 2017; 50000 as at January 1 2017) equity shares of Rs.10 each		500.00	500.00	500.00
Issued, subscribed and fully paid up		500.00	500.00	500.00
50000 (50000 as at December 31 2017; 50000 as at January 1 2017) equity shares of Rs.10 each		500.00	500.00	500.00
Notes:		500.00	500.00	500.00
(a) Reconciliation of number of shares and amount of share capital outstanding	ng at the beginning and at the	closing of the war-		
Particulars	For the	year ended er 31, 2018	For the year	
At the beginning of the year	Number	Amount (Rs. in '000)	Number	Amount (Rs. in '000)
and ordered or the Aedi	50000	E00.00		

Outstanding at the closing of the year

(b) Terms/rights attached to equity shares
The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

(c) Shares held by holding company and fellow subsidiary

Name of shareholder	As at Dec	As at Dec 31 2018 As at		As at Dec 31, 2017		As at January 1, 2017	
	Number	Amount (Rs. in '000)	Number	Amount (Rs. in '000)	Number	Amount (Rs. in '000)	
BIZCS Group Pte Ltd. Singapore	49999	499.99	49999	499.99	49999	(RS. III 000)	

50000

50000

500.00

500.00

(d) Details of shareholders holding more than 5% shares in the Company

Name of shareholder	As at Dec 31 2018		As at Dec 31, 2017		As at Januar	v 1 2017
IDIZCC C No. 11.1 E	No. of shares	% of Holding	No. of shares	% of Holding	No. of shares held	% of Holding
IBIZCS Group Pte Ltd. Singapore	49999	99.998%	49999	99.998%		99,998
Kalairajan Sornanathan	1	0.002%	1	0.002%	12222	0.0029



50000

50000

500.00

500.00

_	The same			(Rs. in '000)
Pa	rticulars	As at December 31, 2018	As at December 31, 2017	As at January 1, 2017
9.	Other equity Deficit in the Statement of Profit and Loss Deficit in statement of profit and loss represents losses incurred by the Company in previous years	(5,848.48)	(4,009.77)	(6,858.57)



Pa	rticulars	As at		(Rs. in '000
		December 31, 2018	As at December 31, 2017	As at January 1, 2017
10.	Trade payables - Total outstanding dues of micro enterprises and small enterprises			
	 Total outstanding dues of creditors other than micro enterprises and small enterprises 	473.77	444.03	320.75
		473.77	444.03	320.75
11.	Other current financial liabilities Other financial liabilities	5,093.94	4 200 27	
		5,093.94	4,309.37 4,309.37	2,570.64 2,570.64
12.	Provisions Provision for tax		549.99	
	7.000 a 6		549.99	
13.	Other current liabilities Statutory dues payable GST/ VAT Payable			
	TDS Payable	3,945.42 156.06	340.03 117.43	514.32
	Service Tax Payable	•	575.63	-
	Other statutory dues payable Advances from related parties - Ibiz Singapore Unearned revenue Advance received from cutomers	0.83 15,519.76 2,424.64 189.67	25.38 14,526.73 2,173.38	2.19 14,294.61 1,886.02
		22,236.38	17,758.58	16,697.14



(Rs. in 'C			
Particulars	December 31, 2018	December 31, 2017	
14. Revenue from operations			
Software development service and sale			
- Export	14,692.49	15,194.05	
- Domestic	17,352.96	14,832.28	
	32,045.45	30,026.33	
Segment information:			
The following table shows the distribution of the C	ompany's revenue by geog	graphical market:	
India	17,352.96	14,832.28	
South East Asia	13,831.32	12,001.02	
Others	861.17	3,193.03	
15. Other income			
Interest on income tax refund		45.29	
		45.29	
ic Third		45.29	
16. Third party expenses			
Purchase of Licenses for resale	5,212.16	3,821.01	
Cost of Outsourced Recources	1,411.80	2,007.35	
	6,623.96	5,828.36	
17. Employee benefits expense			
Salaries, wages and bonus	21,154.88	16,440.61	
Contribution to provident and other funds	64.03	54.19	
Staff welfare expenses	35.10	61.70	
	21,254.01	16,556.50	
18. Other expenses			
Rent	1,595.03	1,601.52	
Power and fuel	471.21	466.55	
Communication costs	61.54	47.33	
Insurance	42.40	47.55	
Printing and stationery	4.80	8.94	
Traveling and conveyance	790.73	344.93	
Legal and professional fees	245.49	178.32	
Repair and maintenance - others	227.86	332.97	
Advertising and sales promotion	-	74.19	
Foreign exchange fluctuation (net)	835.96	462.94	
Loss on sale / discard of fixed assets (net)		106.92	
Provision for doubtful debts and advances (net)	1,301.03	239.16	
Auditors' remuneration (refer detail below)	160.00	145.00	
Bank charges	8.52	13.10	
Rates and taxes	90.63	10.10	
Miscellaneous expenses	97.75		
	5,932.95	4,021.87	
Auditors' remuneration			
Statutory and tax audit fee	160.00	145.00	
Other services	100.00	145.00	
	160.00	145.00	
	100.00	145.00	



	Particulars		For the way	(Rs. in '000
			For the year ended December 31, 2018	For the Year ende December 31, 201
	Income tax and deferred tax			December 31, 201
	Current income tax			
	In respect of the current year		201020000	
	Deferred tax		259.92	549.9
	In respect of the current year			
	Income tax expense recognised in the statement of prof	it	(495.42) (235.50)	1,0,0
			(*************************************	.,,,,,,
	The reconciliation between the provision of income tax of the tax rate to profit before taxes is as follows:	Company and amounts con	nputed by applying the	Indian statutory incon
	Profit before tax			
	Enacted income tax rate in India		(2,074.21)	0,52 1.5
	Computed expected tax expense		26.00%	25.75
			(539.29)	856.18
	Effect of:			
	Income exempt from tax			
	Unabsorbed depreciation and brought forward losses adjusted			(12.24
	against taxable income			(414.26
	Expenses that are not deductible in determining taxable profit			
	Prior year expenses			27.53
- 9	Others		445.09	
			(4.44.20)	
-	Income tax expense recognised in the statement of profi and loss	t	(141.30) (235.50)	
1	Deferred tax			
	ond loss Deferred tax Deferred tax assets/ (liabilities) as at December 31, 201:			18.98 476.19
	Deferred tax	8 in relation to: As at	(235.50)	476.19
	ond loss Deferred tax Deferred tax assets/ (liabilities) as at December 31, 201:	8 in relation to:		476.19 As at
1 1 1 F	Deferred tax Deferred tax assets/ (liabilities) as at December 31, 201: Particulars Property, plant and equipment	8 in relation to: As at January 01, 2018	Recognised in profit and loss	476.19 As at December 31, 2018
	Deferred tax Deferred tax assets/ (liabilities) as at December 31, 201: Particulars Property, plant and equipment Provision for gratuity	8 in relation to: As at January 01, 2018	Recognised in profit and loss	As at December 31, 2018
	Deferred tax Deferred tax assets/ (liabilities) as at December 31, 201: Particulars Property, plant and equipment Provision for gratuity Provision for compensated absence	8 in relation to: As at January 01, 2018 4.15 281.14	Recognised in profit and loss	As at December 31, 2018
	Deferred tax Deferred tax assets/ (liabilities) as at December 31, 201: Particulars Property, plant and equipment Provision for gratuity Provision for compensated absence Provision for doubtful debts	8 in relation to: As at January 01, 2018	Recognised in profit and loss 18.14 (31.70) 6.07	As at December 31, 2018 22.29 249.44 20.53
- F F F F F F F F F F F F F F F F F F F	Deferred tax Deferred tax assets/ (liabilities) as at December 31, 201: Particulars Property, plant and equipment Provision for gratuity Provision for doubtful debts Inimum Alternate Tax (MAT) credit entitlement	8 in relation to: As at January 01, 2018 4.15 281.14	Recognised in profit and loss 18.14 (31.70) 6.07 428.48	As at December 31, 2018 22.29 249.44 20.53 428.48
E E E	Deferred tax Deferred tax assets/ (liabilities) as at December 31, 201: Particulars Property, plant and equipment Provision for gratuity Provision for compensated absence	8 in relation to: As at January 01, 2018 4.15 281.14	Recognised in profit and loss 18.14 (31.70) 6.07 428.48 74.43	As at December 31, 2018 22.29 249.44 20.53 428.48 74.43
F F F F F F F F F F F F F F F F F F F	Deferred tax Deferred tax assets/ (liabilities) as at December 31, 201: Particulars Property, plant and equipment Provision for gratuity Provision for compensated absence Provision for doubtful debts Ininimum Alternate Tax (MAT) credit entitlement	8 in relation to: As at January 01, 2018 4.15 281.14 14.46 299.75	Recognised in profit and loss 18.14 (31.70) 6.07 428.48	As at December 31, 2018 22.29 249.44 20.53 428.48 74.43
	Deferred tax Deferred tax assets/ (liabilities) as at December 31, 201: Particulars Property, plant and equipment Provision for gratuity Provision for doubtful debts Inimum Alternate Tax (MAT) credit entitlement	8 in relation to: As at January 01, 2018 4.15 281.14 14.46 299.75 7 in relation to:	Recognised in profit and loss 18.14 (31.70) 6.07 428.48 74.43 495.42	As at December 31, 2018 22.29 249.44 20.53 428.48 74.43
	Deferred tax Deferred tax assets/ (liabilities) as at December 31, 201: Described as a set December 31, 201: Described as a set December 31, 201: Deferred tax assets/ (liabilities) as at December 31, 201: Deferred tax assets/ (liabilities) as at December 31, 201:	8 in relation to: As at January 01, 2018 4.15 281.14 14.46 - 299.75 7 in relation to: As at	Recognised in profit and loss 18.14 (31.70) 6.07 428.48 74.43 495.42 Recognised in	As at December 31, 2018 22.29 249.44 20.53 428.48 74.43 795.17
FFFFFF	Deferred tax Deferred tax assets/ (liabilities) as at December 31, 2016 Particulars Property, plant and equipment Provision for gratuity Provision for compensated absence Provision for doubtful debts Ilinimum Alternate Tax (MAT) credit entitlement Total Deferred tax assets/ (liabilities) as at December 31, 2017 Particulars	8 in relation to: As at January 01, 2018 4.15 281.14 14.46 299.75 7 in relation to:	Recognised in profit and loss 18.14 (31.70) 6.07 428.48 74.43 495.42 Recognised in	As at December 31, 2018 22.29 249.44 20.53 428.48 74.43 795.17
F F F F P P P	Deferred tax Deferred tax assets/ (liabilities) as at December 31, 201: Description for gratuity Provision for compensated absence Provision for doubtful debts Ilinimum Alternate Tax (MAT) credit entitlement Deferred tax assets/ (liabilities) as at December 31, 2017 Deferred tax assets/ (liabilities) as at December 31, 2017 Deferred tax assets/ (liabilities) as at December 31, 2017	8 in relation to: As at January 01, 2018 4.15 281.14 14.46 299.75 7 in relation to: As at January 01, 2017	Recognised in profit and loss 18.14 (31.70) 6.07 428.48 74.43 495.42 Recognised in profit and loss	As at December 31, 2018 22.29 249.44 20.53 428.48 74.43 795.17 As at December 31, 2017
FFFF PP	Deferred tax Deferred tax assets/ (liabilities) as at December 31, 201: Described as a set of the provision for gratuity Provision for compensated absence Provision for doubtful debts Ininimum Alternate Tax (MAT) credit entitlement Deferred tax assets/ (liabilities) as at December 31, 2017 Deferred tax assets/ (liabilities) as at December 31, 2017 Deferred tax assets/ (liabilities) as at December 31, 2017 Deferred tax assets/ (liabilities) as at December 31, 2017 Deferred tax assets/ (liabilities) as at December 31, 2017	8 in relation to: As at January 01, 2018 4.15 281.14 14.46 - 299.75 7 in relation to: As at	Recognised in profit and loss 18.14 (31.70) 6.07 428.48 74.43 495.42 Recognised in profit and loss	As at December 31, 2018 22.29 249.44 20.53 428.48 74.43 795.17
TIT FEFFIT CIP PPP	Deferred tax Deferred tax assets/ (liabilities) as at December 31, 201: Particulars Property, plant and equipment Provision for gratuity Provision for compensated absence Provision for doubtful debts Inimum Alternate Tax (MAT) credit entitlement Provision for doubtful debts Provision for gratuity	8 in relation to: As at January 01, 2018 4.15 281.14 14.46 299.75 7 in relation to: As at January 01, 2017 (26.27)	Recognised in profit and loss 18.14 (31.70) 6.07 428.48 74.43 495.42 Recognised in profit and loss	As at December 31, 2018 22.29 249.44 20.53 428.48 74.43 795.17 As at December 31, 2017
THE PERENT EPPE	Deferred tax Deferred tax assets/ (liabilities) as at December 31, 201: Described as a set of the provision for gratuity Provision for compensated absence Provision for doubtful debts Ininimum Alternate Tax (MAT) credit entitlement Deferred tax assets/ (liabilities) as at December 31, 2017 Deferred tax assets/ (liabilities) as at December 31, 2017 Deferred tax assets/ (liabilities) as at December 31, 2017 Deferred tax assets/ (liabilities) as at December 31, 2017 Deferred tax assets/ (liabilities) as at December 31, 2017	8 in relation to: As at January 01, 2018 4.15 281.14 14.46 299.75 7 in relation to: As at January 01, 2017	Recognised in profit and loss 18.14 (31.70) 6.07 428.48 74.43 495.42 Recognised in profit and loss	As at December 31, 2018 22.29 249.44 20.53 428.48 74.43 795.17 As at December 31, 2017



20. Earnings per share

Reconciliation of number of equity shares used in the computation of basic and diluted earnings per share is set out below:

Particulars	Year ended December 31, 2018	Year ended December 31, 2017
Weighted average number of equity shares for calculating Basic EPS	50000	50000
Weighted average number of equity shares for calculating Diluted EPS	50000	
Earnings per share [Nominal value of shares Re. 1 (Previous year: Re. 1)]	30000	50000
Basic (Rs.)	(26 77)	
Diluted (Rs.)	(36.77)	56.98
DATE OF THE A	(36.77)	56.98



IBIZ CONSULTANCY SERVICES INDIA PRIVATE LIMITED

Notes to Financial statements for the year ended December 31, 2018

21. Financial instruments

The carrying values and fair values of financial instruments by categories are as follows: (Rs. in '000) **Particulars** Basis of As at As at As at measurement December 31, 2018 December 31, 2017 January 01, 2017 Carrying value Fair value Carrying value Fair value Carrying value Fair value Assets Trade receivables Amortised cost 6,799.17 6,799.17 8,667.64 8,667.64 7,324.78 7,324.78 Cash and cash equivalents Amortised cost 4,774.62 4,774.62 5,349.91 5,349.91 1,782.84 1,782.84 Unbilled revenue Amortised cost 1,272.83 1,272.83 1,205.80 1,205.80 Total 12,846.62 12,846.62 15,223.35 15,223.35 9,107.62 9,107.62

Other financial liabilities Fair value hierarchy:

Liabilities Trade payables

Total

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

1,466.80

5,093.94

6,560.74

444.03

4,309.37

4,753.40

444.03

4,309.37

4,753.40

1,466.80

5,093.94

6,560.74

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

There have been no transfers among Level 1, Level 2 and Level 3 during the year.

Amortised cost

Amortised cost



320.75

2,570.64

2,891.39

320.75

2,570.64

2,891.39

22. Financial risk management

Financial risk factors and risk management objectives

The Company's activities expose it to foreign currency risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

Foreign currency risk

The Company operates globally with its operations spread across various geographies and consequently the Company is exposed to foreign exchange risk. Around 70% to 80% of the Company's foreign currency exposure is in SGD.

The following table analyses Company's foreign currency exposure from non-derivative financial instruments as of December 31, 2017 and January 01, 2017:

As at December 31, 2018			(Rs. in '000
Trade receivables	SGD 3,801.50	USD 1,085.74	Total 4,887.24
As at December 31, 2017 Trade receivables	SGD 3,628.82	USD 1,611.66	Total 5,240.48

Foreign currency sensitivity analysis

For the year ended December 31, 2018 and December 31, 2017, every percentage point depreciation / appreciation in the exchange rate between the Indian rupee and foreign currencies, would affect the Company's profit before tax margin (PBT) by approximately

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk arises from deposits held with banks, investments with financial institutions, as well as credit exposure to clients, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit

The following table gives details in respect of revenues generated from top customer and top 5 customers:

	For the year ended		
Revenue from top customer	December 31, 2018	December 31, 2017	
Revenue from top 5 customer	12,563.84	10,738.38	
One customer accounted for more than 10% of the revenue for the	20,390.80	17,232.65	

counted for more than 10% of the revenue for the year ended December 31, 2018 and trade receivables as on December 31, 2018. One customer accounted for more than 10% of the revenue for the year ended December 31, 2017 and trade

Liquidity risk

The Company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The Company believes that the working capital is sufficient to meet its current requirements.

As at December 31, 2018, the Company had a working capital of Rs. 6,285.88 ('000) including cash and cash equivalents of Rs. 4,774.62 ('000). As at December 31, 2017, the Company had a working capital of Rs. 10,469.95 ('000) including cash and cash equivalents of Rs. 5,349.91 ('000). Accordingly, no liquidity risk is perceived.

The table below provides details regarding the contractual maturities of significant financial liabilities:

Particulars	As at	As at	As at
Less than 1 year	December 31, 2018	December 31, 2017	January 1, 2017
Trade payables			
Other financial liabilities	473.77	444.03	320.75
	5,093.94	4,309.37	2,570.64



23. Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's objective, when managing capital, is to maintain an optimal structure so as to maximize shareholder value. The capital structure is as follows:

Particulars	As at December 31, 2018	As at December 31, 2017	As at January 01, 2017
Total equity attributable to the equity share holders of the Company	(5,348)	(3,510)	(6,359)
As percentage of total capital	100.00%	100.00%	100.00%
Total capital (equity and borrowings)	(5,348)	(3,510)	(6,359)

The Company has accumulated losses of Rs. 5,848.48 thousand as at December 31, 2018 (as at December 31, 2017 Rs. 4,009.77 thousand), resulting in erosion of its net worth. This indicate the existence of a uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. During the year ended December 31, 2018, the Company has incurred loss of Rs. 1,838.71 thousand (previous year profit of Rs. 2,848.80 thousand). The ability of the Company to continue as a going concern is dependent on the improvement of the Company's future operations and continued financial support from holding company. The financial statements of the Company have been prepared on the basis that the Company is a going concern, as the holding company has confirmed to provide requisite financial support for the continued operations of the Company, as and when required. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.



24. Related Party Disclosures

(i) Names of related parties:

Holding company .	IBIZ Consulting Pte. Ltd., Singapore (formerly known as IBIZCS Group Pte Ltd., Singapore) R Systems (Singapore) Pte Ltd, Singapore (Holding company of IBIZ Consulting Pte. Ltd., Singapore)
Ultimate holding company	R Systems International Limited
Fellow subsidiaries	 IBIZ Consulting Services Pte Ltd, Singapore IBIZ Consulting Services Sdn. Bhd., Malaysia PT. IBIZCS Indonesia., Indonesia IBIZ Consulting Services Limited, Hong Kong (IBIZ HK) IBIZ Consulting Services (Shanghai) Co., Ltd, People's Republic of China (wholly owned subsidiary of IBIZ HK)
Key management personnel	K Gunalan, Director K Sornanathan, Director

(ii) Details of transactions with related parties for the year ended December 31, 2018 and December 31, 2017:

(Rs. in '000)

	Year ended December 31,		
	2018	2017	
Revenue from services rendered to			
IBIZ Consulting Pte. Ltd., Singapore	12,563.84	10,738.38	
PT. IBIZCS Indonesia., Indonesia	80.35		
R Systems International Limited, India	2,335.49		
Total	14,979.68	10,738.38	
Director Remuneration			
K Sornanathan	612.00	540.00	
Total	612.00	540.00	

(iii) Outstanding balances of related parties as at December 31, 2018 and December 31, 2017:

(Rs. in '000)

		(1151 111 000		
Balance outstanding	As at Decei	As at December 31,		
	2018	2017		
Receivables				
IBIZ Consulting Pte. Ltd., Singapore	3,554.27	3,628.82		
PT. IBIZCS Indonesia., Indonesia	81.56			
Total	3,635.83	3,628.82		
Payables				
IBIZ Consulting Pte. Ltd., Singapore	15,519.76	14,526.73		
Total .	15,519.76	14,526.73		

25. Leases

Operating Lease - Company as lessee

The Company has operating lease for office premises. The future minimum rentals payable under non-cancellable operating leases period as at year-end are as follows:

		(Rs. in '000)
	Year ended	
	December 31, 2018	December 31, 2017
Lease payments for the year	1,595.03	1,601.52
Non-cancellable operating lease obligation:	-,	1,001.32
Not later than one year	18.86	1,403.03
Later than one year but not later than five years	-	18.86
Later than five years		

The operating lease arrangements extend for a maximum period of 5 years from their respective dates of inception. Some of the operating lease arrangements have price escalation and option of renewal clause as mutually agreed between the parties and there are no restrictions imposed on lease arrangements.

26. During the year ended December 31, 2006, Government of India has promulgated an Act namely The Micro, Small and Medium Enterprises Development Act, 2006 which comes into force with effect from October 2, 2006. As per the Act, the Company is required to identify the Micro, Small and Medium suppliers and pay interest to micro and small enterprises on overdue beyond the specified period irrespective of the terms agreed with the suppliers. For the purpose of identification of such suppliers, the Company has sent confirmations to all its suppliers. Based upon the confirmations received so far and the supplier profile available with the Company, the management believes that there are no dues to such suppliers.

Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006	As at December 31, 2018	As at December 31, 2017
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
The amount of interest paid by the buyer in terms of Section 16 of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil



27. First time adoption of Ind AS

These are the Company's first financials prepared under Ind AS.

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended December 31, 2018, the comparative information presented in these financial statements for the year ended December 31, 2017 and in the preparation of opening Ind AS balance sheet at January 01, 2017. In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Section 133, of the Act and other relevant provisions contained in the Act (previous GAAP or Indian GAAP). In its transition from previous GAAP to Ind AS, the Company has also applied mandatory exceptions in accordance with Ind AS 101.

An explanation of how this transition has affected the Company's financial performance and cash flows is set out in the following tables and notes.

A. Mandatory exceptions

a. Estimates

An entity's estimate on the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at January 01, 2017 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Company made estimates for the following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

- Impairment of financial assets based on expected credit loss model;
- Fair valuation of financial assets and liabilities.

b. De-recognition of financial assets and liabilities

Ind AS 101 requires a first time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind-AS. However, Ind AS 101 allows a first time adopter to apply the de-recognition requirements under Ind AS 109, retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and liabilities de-recognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the de-recognition provision of Ind AS 109 prospectively from the date of transition to Ind AS.

c. Classification and measurement of financial assets

As required under Ind AS 101, the Company has classified and measured the financial assets on the basis of the facts and circumstances existing at the date of transition to Ind AS.

B. Reconciliation between previous GAAP and Ind AS

The following reconciliations provide a quantification of the effect of significant differences arising from the transition from previous GAAP to Ind AS in accordance with Ind AS 101:

- Equity as at January 01, 2017;
- Equity as at December 31, 2017;
- Total comprehensive income for the year ended December 31, 2017; and
- Explanation of material adjustments to cash flow statements.

In the reconciliations mentioned above, certain reclassifications have been made to previous GAAP financial information to align with the Ind AS presentation.



a. Balance sheet reconciliation as at January 01, 2017 and December 31, 2017

Particulars N	Notes	As at January 01, 2017			(Rs. in '000') As at December 31, 2017		
		Amount as per previous GAAP*	Effect of transition to Ind AS	Amount as per Ind AS	Amount as per previous GAAP*	Effect of transition to Ind AS	Amount as per Ind AS
ASSETS							
A. Non-current assets							
(a) Property, plant and equipment		781.85		781.85	316.32	-	316.32
(b) Deferred tax assets(net)		225.95	-	225.95	299.75		299.75
(c) Other non-current assets		1,212.90	-	1,212.90	1,212.90		1,212.90
Total non-current assets (A)		2,220.7		2,220.7	1,828.97	2	1,828.97
B. Current assets				- Summers			2,020.57
(a) Financial assets							
(i) Trade receivables		7,324.78	+	7,324.78	9,873.44	0	9,873.44
(ii) Cash and cash equivalents		1,782.84	_	1,782.84	5,349.91	_	5,349.91
(b) Current tax assets (net)		1,706.23		1,706.23	1,270.86	-	1,270.86
(c) Other current assets		195.41	-	195.41	679.03		679.03
Total current assets (B)		11,009.26	-	11,009.26	17,173.24		17,173.24
Total assets (A+B)		13,229.96	-	13,229.96	19,002.21	3	19,002.21
EQUITY AND LIABILITIES A. Equity							
(a) Equity share capital		500.00		500.00	500.00		500.00
(b) Other equity		(6,858.56)	_	(6,858.56)	(4,009.76)	_	(4,009.76)
Total equity (A)		(6,358.56)	-	(6,358.56)	(3,509.76)	-	(3,509.76)
B. Current liabilities							(-/
(a) Financial liabilities							
(i) Trade payables		320.75	-	320.75	444.03		444.03
(ii) Other financial liabilities		4,456.66	-	4,456.66	6,482.75		6,482.75
(b) Other current liabilities		14,811.12	-	14,811.12	15,585.20	-	15,585.20
Total current liabilities (B)		19,588.53	-	19,588.53	22,511.98	-	22,511.98
Total equity and liabilities (A+B)		13,229.97	-	13,229.97	19,002.22	-	19,002.22

^{*} Previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.



b. Reconciliation of total equity as at January 01, 2017 and December 31, 2017

Particulars	As at January 01, 2017	(Rs. in '000) As at December 31, 2017	
Total equity (shareholders' fund) as per previous GAAP	(6,358.56)	(3,509.76)	
Ind AS adjustments Total equity as per Ind AS	Nil (6,358.56)	Nil (3,509.76)	

c. Reconciliation of total comprehensive income for the year ended December 31, 2017

Particulars	(Rs. in '000 For the year ended December 31, 2017			
	As per previous GAAP*	Effect of transition to Ind AS	Amount as per Ind AS	
Income			1	
Revenue from operations	30,026.33	-	30,026.33	
Other income	45.29		45.29	
Total income	30,071.62	-	30,071.62	
Expenses	- 0,0,2,02	ATTE	30,071.02	
Purchases	5,828.36		5,828.36	
Employee benefits expense	16,556.50 339.90		16,556.50 339.90	
Depreciation and amortisation expense				
Other expenses	4,021.87	_	4,021.87	
Total expenses	26,746.63		26,746.63	
Profit before tax	3,324.99		3,324.99	
Income tax expense	3,324.33		3,324.99	
Current tax	549.99		549.99	
Deferred tax	(73.80)	-	(73.80)	
Total tax expense	476.19	-	476.19	
Profit for the year	2,848.80		- Contraction of the Park	
Other comprehensive income (net of tax)	2,040.80		2,848.80	
Total comprehensive income	2,848.80	-	2,848.80	

d. Impact of Ind AS adjustments on the Statement of Cash Flows for the year ended December 31, 2017

Particulars	As per previous GAAP*	Effect of transition to Ind AS	(Rs. in '000) Amount as per Ind AS	
Cash flows from / (used in) operating activities	3,548.36	-	3,548.36	
Cash flows from / (used in) investing activities	18.71		18.71	
Cash flows from / (used in) financing activities			2011 2	
Net increase / (decrease) in cash and cash equivalents	3,567.07	•	3,567.07	
Cash and cash equivalents as on January 01, 2017	1,782.84		1,782.84	
Cash and cash equivalents as on December 31, 2017	5,349.91	-	5,349.91	



28. The financial statements have been approved by the Board of Directors at its meeting held on January 23, 2019.

As per our report of even date.

CHENNA

ED ACCC

For S Ravi & Associates Chartered Accountants

S Ravi Proprietor

M. No. 204618

Place: Chennai Date: 23.01.2019 For and on behalf of the Board of Directors of IBIZ CONSULTANCY SERVICES INDIA PRIVATE LIMITED

K Gunalan

Director

DIN:02656902

Place: Singapore Date: 23.01.2019 K Sornanathan

Director

DIN:06954003

Place: Chennai Date: 23.01.2019