

	Note	<u>2020</u>	<u>2019</u>
		S\$	S\$
Assets			
Non-current assets			
Plant and equipment	3A	64,471	104,090
Right of use assets	3B	-	-
Intangible assets	4	-	3,232,463
Other receivables	6	172,588	183,564
Total non-current assets		<u>237,059</u>	<u>3,520,117</u>
Current assets			
Trade receivables	5	928,738	2,784,742
Other receivables	6	1,103,106	692,477
Prepayment		26,153	67,391
Contract assets	7	217,432	1,244,786
Cash at banks	8	495,676	468,167
Derivative financial instrument	15	-	3,872
Total current assets		<u>2,771,105</u>	<u>5,261,435</u>
Total assets		<u>3,008,164</u>	<u>8,781,552</u>
Equity and Liabilities			
EQUITY			
Share capital	9	5,085,360	5,085,360
Accumulated losses		(4,503,613)	(729,230)
Total equity		<u>581,747</u>	<u>4,356,130</u>
Non-current liabilities			
Deferred tax liabilities (net)	10	17,286	17,119
Total non-current liabilities		<u>17,286</u>	<u>17,119</u>
Current liabilities			
Trade payables and accruals	11	1,032,338	1,896,363
Other payables	12	1,273,463	812,303
Provision for unutilised leave	13	103,329	40,284
Contract liability	7	-	583,000
Borrowing	14	-	813,300
Income tax payable		-	263,053
Total current liabilities		<u>2,409,131</u>	<u>4,408,303</u>
Total liabilities		<u>2,426,417</u>	<u>4,425,422</u>
Total equity and liabilities		<u>3,008,164</u>	<u>8,781,552</u>

The annexed accounting policies and explanatory notes form an integral part of the financial statements

Cyient Singapore Private Limited
Statement of Comprehensive Income

For the financial year ended March 31, 2020

	Note	<u>2020</u>	<u>2019</u>
		S\$	S\$
Revenue	16	7,160,331	10,291,418
Other income	17	16,800	10,731
Sub-contracting charges		(126,074)	(1,370,825)
Salaries and employee benefits	18	(5,385,134)	(5,861,846)
Depreciation of plant and equipment	3A &3B	(379,308)	(121,249)
Amortisation of intangible asset	4	(1,169,606)	(1,168,527)
Impairment of intangible asset	4	(2,062,856)	-
Other operating expenses		(2,034,493)	(1,525,394)
Finance costs	19	(52,883)	(150,568)
(Loss) / Profit before income tax	20	<u>(4,033,223)</u>	<u>103,740</u>
Income tax benefit / (expense)	21	228,756	(213,883)
Loss after income tax		<u>(3,804,467)</u>	<u>(110,143)</u>
Other comprehensive income		-	-
Total comprehensive loss for the year		<u><u>(3,804,467)</u></u>	<u><u>(110,143)</u></u>

The annexed accounting policies and explanatory notes form an integral part of the financial statements

Cyient Singapore Private Limited
Statement of Changes in Equity

For the financial year ended March 31, 2020

	Share capital	Accumulated losses	Total
	S\$	S\$	S\$
Balance at April 1, 2018	5,085,360	(619,087)	4,466,273
Total comprehensive loss for the year	-	(110,143)	(110,143)
Balance as at March 31, 2019	5,085,360	(729,230)	4,356,130
Total comprehensive loss for the year	-	(3,804,467)	(3,804,467)
Transition impact of Ind AS 116	-	30,085	30,085
Balance as at March 31, 2020	5,085,360	(4,503,613)	581,747

The annexed accounting policies and explanatory notes form an integral part of the financial statements

Cyient Singapore Private Limited
Statement of Cash Flows

For the financial year ended March 31, 2020

	2020	2019
	S\$	S\$
Cash flows from operating activities		
(Loss) / Profit before income tax	(4,033,223)	103,740
Adjustments for:-		
Depreciation of plant and equipment	379,308	121,249
Amortisation of intangible assets	1,169,606	1,168,527
Impairment of intangible asset	2,062,856	
Loss on MTM valuation of interest rate swap	2,639	16,523
Loss on disposal of PPE	1,850	-
Interest expense	50,243	150,568
Operating profit before working capital changes	<u>(366,720)</u>	<u>1,560,607</u>
Trade receivables	1,856,004	(1,483,837)
Other receivables and prepayment	(369,391)	(246,219)
Contract assets	1,027,354	880,215
Trade payables and accruals	(864,025)	(607,151)
Other payables and contract liability	(574,104)	371,456
Provision for unutilised leave	63,045	(15,366)
Cash generated from operations	<u>772,163</u>	<u>459,705</u>
Taxes paid	(40,298)	(175,356)
Net cash from operating activities	<u>731,865</u>	<u>284,349</u>
Cash flows from investing activities		
Purchase of plant and equipment	-	(15,737)
Sale of plant and equipment	-	-
Net cash from / (used) in investing activities	<u>-</u>	<u>(15,737)</u>
Cash flows from financing activities		
Interest paid	(46,683)	(154,032)
Other payables - holding company and related company	454,085	(161,243)
Lease payment	(309,518)	-
Repayment of borrowings	(813,300)	(1,547,400)
Net cash used in financing activities	<u>(715,416)</u>	<u>(1,862,675)</u>
Net increase / (decrease) in cash and cash equivalents	16,449	(1,594,063)
Cash and cash equivalents brought forward	468,167	2,062,230
Cash and cash equivalents carried forward	<u>484,616</u>	<u>468,167</u>
Cash and cash equivalents comprise:-		
Cash at banks	495,676	468,167
	<u>495,676</u>	<u>468,167</u>

The annexed accounting policies and explanatory notes form an integral part of the financial statements

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

3. Plant and equipment

2020	Furniture & fittings	Office equipment	Computers & software	Plant & machinery	Total
	S\$	S\$	S\$	S\$	S\$
Cost					
At April 1, 2019	1,763	2,747	609,758	75,262	689,530
Additions	-	-	-	-	-
Disposals	-	-	38,683	-	38,683
At March 31, 2020	<u>1,763</u>	<u>2,747</u>	<u>571,076</u>	<u>75,262</u>	<u>650,847</u>
Depreciation					
At April 1, 2019	546	1,814	558,826	24,254	585,440
Charge for the year	167	522	29,846	7,150	37,686
Disposals	-	-	36,749	-	36,749
At March 31, 2020	<u>714</u>	<u>2,336</u>	<u>551,923</u>	<u>31,403</u>	<u>586,376</u>
Net book value					
At March 31, 2020	<u>1,049</u>	<u>411</u>	<u>19,152</u>	<u>43,859</u>	<u>64,471</u>
2019					
	S\$	S\$	S\$	S\$	S\$
Cost					
At April 1, 2018	1,763	2,747	599,103	70,180	673,793
Additions	-	-	10,655	5,082	15,737
At March 31, 2019	<u>1,763</u>	<u>2,747</u>	<u>609,758</u>	<u>75,262</u>	<u>689,530</u>
Depreciation					
At April 1, 2018	379	1,292	445,415	17,105	464,191
Charge for the year	167	522	113,411	7,149	121,249
At March 31, 2019	<u>546</u>	<u>1,814</u>	<u>558,826</u>	<u>24,254</u>	<u>585,440</u>
Net book value					
At March 31, 2019	<u>1,217</u>	<u>933</u>	<u>50,932</u>	<u>51,008</u>	<u>104,090</u>

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

3B . Right of use assets ("ROU" assets)**Transition**

Effective April 1, 2019, the Company has adopted FRS 116 'Leases' which sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The Company has applied modified retrospective approach for all leases existing at the date of initial application and the cumulative effect of applying FRS 116 has been recognised as an adjustment to the opening balance of retained earnings. On transition, the adoption of this standard resulted in the recognition of Right of Use (ROU) asset of S \$ 338,497 and a lease liability of S \$ 302,247 and a net adjustment to opening balance of retained earnings of S \$ 30,085 (net of deferred tax). The effect of adopting this standard is not material on the profit for the year.

(a) Movement in the carrying value of right of use assets is as below:

	2020
	\$
Buildings	
Balance as at April 1, 2019	338,497
Fx gain	3,125
Depreciation	(341,622)
Balance as at March 31, 2020	<u>-</u>

The following is the movement in lease liabilities during the year ended:

	2020
	\$
Balance as at April 1, 2019	302,247
Interest on lease liability	3,039
Payment of lease liabilities	(309,518)
Fx loss	4,232
Balance as at March 31, 2020	<u>-</u>

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

4. Intangible assets

	Engineering service agreement	
	2020	2019
	\$	\$
Intangible assets		
At cost	11,249,600	11,249,600
Less: Amortisation		
- At beginning of year	8,017,137	6,848,610
- Charge for the year	1,169,606	1,168,527
- At end of year	9,186,743	8,017,137
Carrying value	2,062,856	3,232,463
Less: Impairment	2,062,856	-
Net book value	-	3,232,463

The Company has acquired maintenance, repair and overhaul services agreement ("MRO") from an outside party from which it had paid the above amount. The seller has transferred its employees and post-closing the seller had a non-solicitation agreement for 4 years commencing from September 2015. Amortisation was computed over 4 years commencing from September 1, 2015.

In January 2018, the seller and the Company extended the MRO for 4 more years commencing from January 2018. Accordingly, useful life was revised by the management.

During the year 2019-20, the Company has impaired the carrying value as at March 31, 2020 of S \$ 2,062,856 based on forecast of the underlying contracts.

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

5. Trade receivables

	<u>2020</u> S\$	<u>2019</u> S\$
Outside parties	928,738	2,784,742
Credit impaired	51,260	-
Expected credit loss allowance	(51,260)	-
Total	<u>928,738</u>	<u>2,784,742</u>

The average credit period is between 30 to 90 days. No interest is charged on the trade receivables due from outside parties.

The table below is an analysis of trade receivables ageing at March 31 2020 and 2019.

	<u>2020</u> S\$	<u>2019</u> S\$
Ageing Analysis:		
Not past due	371,275	2,345,132
Past due less than 30 days	-	218,020
Past due 31 to 180 days	427,844	122,810
Past due 181 to 365 days	-	3,663
Past due more than 365 days	129,620	95,117
	<u>928,738</u>	<u>2,784,742</u>

The trade receivables that are not denominated in Singapore Dollar are as follows:

	<u>2020</u> S\$	<u>2019</u> S\$
United States Dollar	589,800	830,433

6. Other Receivables

	<u>2020</u> S\$	<u>2019</u> S\$
Sundry receivables	5,513	4,776
Holding company	1,097,593	637,288
Related company	-	50,413
	<u>1,103,106</u>	<u>692,477</u>
Security deposits	172,588	183,564
	<u>172,588</u>	<u>183,564</u>

The amount due from holding company and related company are unsecured, interest free and repayable on demand.

The other receivables that are not denominated in Singapore Dollar are as follows:

	<u>2020</u> S\$	<u>2019</u> S\$
United States Dollar	539,996	183,314

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

7. Contract assets and liabilities

	<u>2020</u>	<u>2019</u>
	S\$	S\$
<i>Contract assets - unbilled revenue</i>	217,432	1,244,786
<i>Contract liabilities - deferred revenue</i>	-	583,000

8. Cash at banks

Cash at banks is pledged to the bank towards bank loan as at March 31, 2019 (refer note 14 of the financial statements).

Bank loan has been repaid during the year and there is no outstanding balance as at March 31, 2020

Cash at bank of S\$ 495,676 as at March 31, 2020 is maintained in current accounts.

The cash at banks that are not denominated in Singapore Dollar are as follows :-

	<u>2020</u>	<u>2019</u>
	S\$	S\$
United States Dollar	57,813	232,076

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

9. Share capital

	<u>2020</u> No of shares issued	<u>2020</u> S\$	<u>2019</u> No of shares issued	<u>2019</u> S\$
Ordinary shares issued and fully paid				
Balance at the beginning and end of the year	3,599,978	5,085,360	3,599,978	5,085,360

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

10. Deferred tax liabilities

	Accelerated tax depreciation	Total
	S\$	S\$
At April 1, 2018	(35,632)	(35,632)
Credit to profit or loss	18,513	18,513
At March 31, 2019	(17,119)	(17,119)
Credit to profit or loss	(6,000)	(6,000)
Transition impact of Ind AS 116	5,833	5,833
At March 31, 2020	(17,286)	(17,286)

11. Trade Payables

	<u>2020</u>	<u>2019</u>
	S\$	S\$
Accrued professional expenses:		
- Outside party	303,616	471,744
- Holding company	136,517	730,674
Statutory remittances	102,042	213,591
Accrued expenses	490,164	480,354
Total	1,032,338	1,896,363

The average credit period for services received is 30-60 days.

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

12. Other Payables

	2020	2019
	S\$	S\$
Sundry payables	86,733	77,837
Holding company	1,088,912	662,544
Related company	97,818	70,101
Accrued interest on bank loan	-	1,821
Total	<u>1,273,463</u>	<u>812,303</u>

The amount due to holding company and related party are unsecured, interest free and repayable on demand.

The other payables that are not denominated in Singapore Dollar are as follows:

	2020	2019
	S\$	S\$
Indian Ruppe	36,589	16,453
United States Dollar	290,718	165,843

13. Provision for unutilised leave

	2020	2019
	S\$	S\$
At the beginning of the year	40,284	55,650
Encashed during the year	(34,696)	(896)
(Reversal)/charge for the year	97,741	(14,470)
At the end of the year	<u>103,329</u>	<u>40,284</u>

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

14. Borrowings	2020	2019
	S\$	S\$
Secured:		
Long term loan	-	813,300
Less: Current portion	-	(813,300)
Non-current portion		-

The amount due after 1 year is repayable within the period as follows:

	2020	2019
	S\$	S\$
Within 2 to 5 years	-	-

The long term loan is denominated in United States

The borrowing rate ranges between 1.35% to 2.82% (2019: 1.35% to 2.82%)

The long term loans are secured on the following:-

- Corporate guarantee from holding company.
- Charge over the bank balances (refer Note 8 to the financial statements).

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

	<u>At beginning of year</u>	<u>Cashflows</u>	<u>Non-cash changes</u>	<u>At end of year</u>
	S\$	S\$	<u>Accretion of interest</u> S\$	S\$
<u>2020</u>				
Long term loan	813,300	-823,156	9,856	-
<u>2019</u>				
Long term loan	2,360,700	-1,608,900	61,500	813,300

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

15. Derivative financial instruments

As at March 31, 2020, there are no outstanding derivative financial instruments.

March 31, 2019:

The fair value of the interest rate swap comprised of current and non-current portion as the swap hedges interest rate for the period commencing from November 30, 2015 to August 30, 2019; as the current portion of the interest rate swap was not readily available, the management is of view, due to its insignificant value, reflected as current liabilities.

The derivative are entered as interest rate swap for a notional principal of S\$2,342,520 (US\$1,800,000) with its bankers.

The swap details are as follows:

- Company to pay 1.35% per annum on notional principal at quarterly rest.
- Company to receive at 3months US\$ LIBOR on notional principal at quarterly rest.
- It is unsecured.
- The management has not designated the swap contract as effective hedge as at year end.
- All cost relating to swap is reflected under finance cost and MTM gain is reflected under other income.
- The valuation at period end is at Mark to Market value provided by The bankers.

Derivatives are denominated in United States Dollar.

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

16. Revenue

	2020	2019
	S\$	S\$
Type of income:		
Engineering services income	<u>7,160,331</u>	<u>10,291,418</u>
Timing of transfer of services - over time	<u>7,160,331</u>	<u>10,291,418</u>

There is no variable consideration recognised during the financial year.

17. Other income

	2020	2019
	S\$	S\$
- Temporary employment credit	<u>16,800</u>	<u>10,731</u>
	<u>16,800</u>	<u>10,731</u>

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

18. Salaries and employee benefits

	<u>2020</u>	<u>2019</u>
	S\$	S\$
Salaries and bonus	4,478,823	4,842,688
CPF contributions (defined)	623,347	785,558
Director's remuneration	108,308	119,689
Charge / (reversal) of unutilised leave	87,262	(14,470)
Share based payment	5,298	4,941
Staff welfare expenses	82,097	123,440
	<u>5,385,134</u>	<u>5,861,846</u>

Compensation of directors and key management personnel

The remuneration of director and other members of key management during the year were as follows:

	<u>2020</u>	<u>2019</u>
	S\$	S\$
Director's remuneration	108,308	119,689

19. Finance costs

	<u>2020</u>	<u>2019</u>
	S\$	S\$
Interest rate swap charges and interest	2,639	(520)
Interest on bank loans	9,856	61,500
Invoice discounting charges	24,009	49,100
Corporate guarantee fees	13,339	40,488
Interest on lease liability	3,039	-
	<u>52,883</u>	<u>150,568</u>

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

20. Profit/(Loss) before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the income statement, this item includes the following charges/(credits):-

	<u>2020</u>	<u>2019</u>
	S\$	S\$
Foreign exchange (gain)/ loss	(19,793)	82,635
Operating lease - rental	401,322	736,352
	<u>401,322</u>	<u>736,352</u>

21. Income tax (benefit)/expense

	<u>2020</u>	<u>2019</u>
	S\$	S\$
Current year	(222,756)	232,396
Deferred tax	(6,000)	(18,513)
	<u>(228,756)</u>	<u>213,883</u>

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% to profit/(loss) before income tax as a result of the following differences:

	<u>2020</u>	<u>2019</u>
	S\$	S\$
(Loss)/Profit before income tax	<u>(4,033,223)</u>	<u>103,740</u>
Tax expense/(benefit) at tax rate of 17%	(685,648)	17,636
Non-deductible items	557,986	213,672
Statutory stepped income exemption	-	-17,425
Other items	(101,094)	-
Income tax (benefit)/expense for the financial year	<u>(228,756)</u>	<u>213,883</u>

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

22. Holding company transactions

Some of the Company's transactions and arrangement are with the holding company and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances with these parties are unsecured, interest free and repayable on demand unless otherwise stated.

During the financial year, the Company entered into the following transactions:

	<u>2020</u>	<u>2019</u>
	S\$	S\$
Sub-contracting charges *	(517,433)	821,437
Salary recharge (included in salaries and bonus)	253,041	330,859
Salary recovered (included in salaries and bonus)	(287,933)	(409,963)
Share based payment	5,298	4,941
Software expenses	13,323	22,959
Corporate guarantee fees	13,339	40,488

* Net of revenue reversal during the year

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

23. Financial instruments, financial and capital risk management**(a) Categories of financial instruments**

The following table sets out the financial instruments as at the statement of financial position date:

	<u>2020</u>	<u>2019</u>
	S\$	S\$
Financial assets		
- Derivative financial instruments	-	3,872
Amortised cost:		
- Trade receivables	928,738	2,784,742
- Other receivables	1,103,106	876,041
- Cash and bank balances	495,676	468,167
	<u>2,527,520</u>	<u>4,128,950</u>
Total financial assets	<u>2,527,520</u>	<u>4,132,822</u>
Financial liabilities		
Amortised cost:		
- Trade payables and accruals (<i>excluding GST</i>)	930,296	1,789,836
- Other payables	1,273,463	812,303
- Borrowings	-	813,300
Total financial liabilities	<u>2,203,760</u>	<u>3,415,439</u>

(b) Fair value measurementsFair value hierarchy

The assets and liabilities measured at fair value are classified by the following level of fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs 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 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Assets and liabilities not measured at fair value**(i) Trade receivables and trade payables**

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

(ii) Other receivables, cash and bank balances and other payables

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

(iii) Bank borrowings

Bank borrowings approximate their fair values as they are subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

The carrying values of these assets and liabilities are the nominal or cost values except derivative financial instruments which are carried at fair value determined by the bankers.

The fair value of the interest rate swaps based on mark to market valuation by bankers which will fall under Level 2 hierarchy above.

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

23. Financial instruments, financial and capital risk management (continued)**(c) Financial risk management**

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

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

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

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

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 arises primarily from mismatches of the maturities of financial assets and liabilities. The Company has no significant liquidity risk as it maintains a level of cash at banks that is sufficient for working capital purpose.

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

	Carrying amount	Cash flows		
		Contractual cash flow	Less than 1 year	Within 2 to 5 years
	S\$	S\$	S\$	S\$
2020				
Financial assets				
Trade receivables	928,738	928,738	928,738	-
Other receivables	1,103,106	1,103,106	1,103,106	-
Cash and bank balances	495,676	495,676	495,676	-
Total undiscounted financial assets	2,527,520	2,527,520	2,527,520	-
Financial liabilities				
Trade payables and accruals	(930,296)	(930,296)	(930,296)	-
Other payables	(1,273,463)	(1,273,463)	(1,273,463)	-
Borrowings	-	-	-	-
Total undiscounted financial liabilities	(2,203,760)	(2,203,760)	(2,203,760)	-
Total net undiscounted financial assets	323,761	323,761	323,761	-
2019				
Financial assets				
Trade receivables	2,784,742	2,784,742	2,784,742	-
Other receivables	876,041	876,041	876,041	-
Cash and bank balances	468,167	468,167	468,167	-
Total undiscounted financial assets	4,128,950	4,128,950	4,128,950	-
Financial liabilities				
Trade payables and accruals	(1,789,836)	(1,789,836)	(1,789,836)	-
Other payables	(812,303)	(812,303)	(812,303)	-
Borrowings	(813,300)	(821,772)	(821,772)	-
Total undiscounted financial liabilities	(3,415,439)	(3,423,911)	(3,423,911)	-
Total net undiscounted financial assets	713,511	705,039	705,039	-

Cyient Singapore Private Limited

Notes forming part of the financial statements for the financial year ended March 31, 2020

23. Financial instruments, financial and capital risk management (continued)

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from trade and other receivables and contract assets.

For other financial assets (including cash at banks), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company has adopted a policy of only dealing with creditworthy counterparties. The Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral. The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 90 days past the credit due dates, default of interest due for more than 30 days or there is significant difficulty of the counterparty.

Cash at banks are placed with credit worthy financial institutions.

Trade and other receivables and contract assets

The Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. 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 ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The Company has a significant concentration of credit risk in relation to a certain external customers. As at end of financial year, the trade receivable balance comprise of one customers' balance that comprise 46% (2019: 60%) of the trade receivable balance. The management does not foresee any risk of default or expected credit loss arising from these parties as they are creditworthy customers. Further details of credit risks on trade receivables are disclosed in **Note 5** to the financial statements.

The Company's other receivables mainly comprise of receivable from related company and holding company for which no risk of default is foreseen. Deposit relate to rental deposit for tenanted property.

The carrying amount of the Company's trade receivables, other receivables and cash at banks represent the Company's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Interest rate risk

The Company's exposure to market risk for changes in interest rate relates to the Company's long term debt obligations. It is the Company's policy to obtain the most favourable interest rates available whenever the Company obtains additional financing through bank borrowings.

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for financial instruments at statement of financial position date and the stipulated change taking place at the beginning of the financial year and had been constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 50 basis points higher or lower and all other variables been constant, the Company's loss before tax for the year ended March 31, 2020 would decrease or increase by S\$ Nil (2019:S\$4,000) as the swap contract is completed.

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Notes forming part of the financial statements for the financial year ended March 31, 2020

23. Financial instruments, financial and capital risk management (continued)

Foreign currency risk

Foreign currency received are kept in a foreign currency account and converted to Singapore Dollar on a need to basis so as to minimise the foreign currency exposure.

The Company is exposed to foreign exchange risk arising from its receivables and payables that are in United States Dollar. The management monitors closely the foreign currency debtors and creditors to collect the receivables and settle the payable amounts at the earliest to minimise the foreign exchange risk.

As at financial year end, the carrying amount of monetary assets and liabilities denominated in currencies other than in Singapore Dollar are disclosed in the respective notes to the financial statements.

Foreign currency sensitivity analysis

Any increase or decrease in the following foreign currency will have an impact on the financial statements. An increase of 10% in the currency rate against Singapore Dollar will decrease the profit/(loss) before tax of the Company by the following amount:

	<u>2020</u>	<u>2019</u>
	S\$	S\$
<i>Increase in the rate of the foreign currencies against Singapore Dollar will increase/(decrease) profit before tax by:</i>		
United States Dollar	<u>39,360</u>	<u>27,000</u>

A decrease in the foreign currencies rate will have a vice versa effect on the profit/(loss) before tax of the Company.

The fluctuations in the other foreign currencies against the Singapore Dollar will have no significant impact on the results of the Company.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Price risk

The Company has no significant exposure to price risk.

(d) Capital risk management

The management considers the capital of the Company to mainly consist of shareholders equity.

The management manages the capital to ensure the Company will be able to continue as a going concern while maximising the return to shareholders through optimisation of the capital.

The management's overall strategy remains unchanged from 2019.

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Notes to the financial statements for the financial year ended March 31, 2020

24. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors on April 27, 2020