Company Registration No. 201512291G

Cyient Singapore Private Limited

Annual Financial Statements
For the financial year ended 31 March 2020

Building a better
working world

Cyient Singapore Private Limited

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The directors are pleased to present their statement to the member together with the audited financial statements of Cyient Singapore Private Limited (the “Company”) for the financial year ended 31 March 2020.

Opinion of the director

In the opinion of the directors

(i) the financial statements of the Company are drawn up so as to give a true and fair view of the balance sheet of the Company as at 31 March 2020 and the financial performance, statement of changes in equity and cash flow statement of the Company for financial year ended 31 March 2020; and

(ii) 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.

Director

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

Gummadi Mallikharjuna Rao
Raja Muhammad Shah Bin Abdullah
Ajay Aggarwal (Appointed 15 June 2020)

Arrangements to enable director to acquire shares and debentures

Except as disclosed herein, neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose objects are, or one of whose object 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.

Director’s interests in shares and debentures

The directors holding office at the end of the financial year had no interests in shares, debentures, warrants or share options of the Company as recorded in the Register of Directors' Shareholding kept by the Company under Section 164 of the Singapore Companies Act.

Share options

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

No shares were issued during the financial period by virtue of the exercise of options to take up unissued shares of the Company.

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

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors

Gummadi Mallikharjuna Rao
Director

Ajay Aggarwal
Director

28 September 2020

Independent auditor's report to the member of Cyient Singapore Private Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Cyient Singapore Private Limited (the "Company"), which comprise the balance sheet as at 31 March 2020, statement of changes in equity, statement of comprehensive income and cash flow statement for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements 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 financial position of the Company as at 31 March 2020 and of the financial performance, changes in equity and cash flows of the Company for the financial year ended 31 March 2020.

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 other information. The other information comprises the Directors' statement set out on pages 1 to 2.

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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.

Auditor's responsibilities for the audit of the financial statements (cont'd)

- 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 or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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.

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.

Other matters

The financial statements for the year ended 31 March 2019 were audited by another auditor, who expressed an unmodified opinion on those statements on 25 April 2019.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

28 September 2020

Cyient Singapore Private Limited

Statement of comprehensive income
For the financial year ended 31 March 2020

	Note	2020 S$	2019 S$
Revenue	4	7,160,331	10,291,418
Other income	5	16,800	10,731
Sub-contracting charges		(126,074)	(1,370,825)
Salaries and employee benefits	6	(5,385,135)	(5,861,846)
Depreciation of plant and equipment	10	(37,685)	(121,249)
Depreciation of right-of-use assets	11	(341,622)	–
Amortisation of intangible assets	12	1,169,608)	(1,168,527)
Impairment of intangible assets	12	(2,062,855)	–
Other operating expenses		(2,034,493)	(1,525,394)
Finance costs	7	(52,882)	(150,568)
(Loss)/profit before income tax	8	(4,033,223)	103,740
Income tax credit/(expense)	9	228,756	(213,883)
Loss after income tax, representing total comprehensive income for the year		(3,804,467)	(110,143)

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

Cyient Singapore Private Limited

Balance sheet
As at 31 March 2020

	Note	2020 S$	2019 S$
ASSETS			
Non-current assets			
Plant and equipment	10	64,471	104,090
Right-of-use assets	11	–	–
Intangible assets	12	–	3,232,463
Other receivables	14	172,588	183,564
Total non-current assets		237,059	3,520,117
Current assets			
Trade receivables	13	928,738	2,784,742
Other receivables	14	1,103,106	692,477
Prepayments		26,153	67,391
Contract assets	15	217,432	1,244,786
Cash at banks	16	495,676	468,167
Derivative financial instruments	17	–	3,872
Total current assets		2,771,105	5,261,435
TOTAL ASSETS		3,008,164	8,781,552
EQUITY AND LIABILITIES			
Non-current liability			
Deferred tax liability	18	17,286	17,119
Current liabilities			
Trade payables and accruals	19	1,032,339	1,896,363
Other payables	20	1,273,463	812,303
Provision for unutilised leave	21	103,329	40,284
Lease liabilities	11	–	–
Contract liabilities	15	–	583,000
Borrowings	22	–	813,300
Income tax payable		–	263,053
Total current liabilities		2,409,131	4,408,303
Total liabilities		2,426,417	4,425,422
Equity			
Share capital	23	5,085,360	5,085,360
Accumulated losses		(4,503,613)	(729,230)
TOTAL EQUITY		581,747	4,356,130
TOTAL EQUITY AND LIABILITIES		3,008,164	8,781,552

The accompanying 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 31 March 2020

	Share capital S$	Accumulated losses S$	Total S$
Balance as at 1 April 2018	5,085,360	(619,087)	4,466,273
Loss for the period, representing total comprehensive income for the year	–	(110,143)	(110,143)
Balance as at 31 March and 1 April 2019	5,085,360	(729,230)	4,356,130
Effect of adoption of FRS 116	–	30,084	30,084
Balance as at 31 March and 1 April 2019 (restated)	5,085,360	(699,146)	4,386,214
Loss for the period, representing total comprehensive income for the year	–	(3,804,467)	(3,804,467)
Balance as at 31 March 2020	5,085,360	(4,503,613)	581,747

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

Cyient Singapore Private Limited

Cash flow statement
For the financial year ended 31 March 2020

	2020 S$	2019 S$
Cash flows from operating activities		
(Loss)/profit before income tax	(4,033,223)	103,740
Adjustments for:-		
Depreciation of plant and equipment	37,685	121,249
Depreciation of right-of-use assets	341,622	–
Amortisation of intangible assets	1,169,608	1,168,527
Impairment of intangible assets	2,062,855	–
Allowance for expected credit losses	965,021	–
Loss on derivative financial instruments	2,639	16,523
Loss on disposal of plant and equipment	1,850	–
Interest expense on lease liabilities	3,039	–
Interest expense	49,843	150,568
Operating cash flows before changes in working capital	600,939	1,560,607
Trade receivables	1,804,744	(1,483,837)
Other receivables and prepayments	(358,713)	(246,219)
Contract assets	113,593	880,215
Trade payables and accruals	(864,024)	(607,151)
Other payables and contract liabilities	(569,913)	371,456
Provision for unutilised leave	63,045	(15,366)
Cash flows generated from operating activities	789,671	459,705
Income tax paid	(40,297)	(175,356)
Net cash flows generated from operating activities	749,374	284,349
Cash flows from investing activities		
Purchase of plant and equipment	–	(15,737)
Proceeds from disposal of plant and equipment	84	–
Net cash flows generated from/(used in) investing activities	84	(15,737)
Cash flows from financing activities		
Interest paid	(49,025)	(154,032)
Amount due to/(from) holding company and related company	449,894	(161,243)
Payment of principal portion of lease liabilities	(309,518)	–
Repayment of borrowings	(813,300)	(1,547,400)
Net cash flows used in financing activities	(721,949)	(1,862,675)
Net increase/(decrease) in cash and cash equivalents	27,509	(1,594,063)
Cash and cash equivalents at the beginning of financial year	468,167	2,062,230
Cash and cash equivalents at the end of financial year	495,676	468,167

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

1. Corporate information

The Company (Registration No: 201512291G) is a private limited Company incorporated and domiciled in Singapore.

The registered office and principal place of business are at 61 Seletar Aerospace View, Pratt & Whitney Singapore Components Repair, Singapore 797560.

The principal activities of the Company are to provide service and solutions to diverse industries such as aerospace, learning capabilities and associated actionable insights. There have been no significant changes in the nature of these activities during the financial year.

The Company is a wholly-owned subsidiary of "Cyient Limited", a listed company incorporated in the Republic of India, which is also the ultimate holding company.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The financial statements 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 Dollars (“S$”), which is the functional currency of the Company, except when otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 April 2019. Except for the adoption of FRS 116 described below, the adoption of these standards did not have any material effect on the financial statements of the Company.

FRS 116 *Leases*

FRS 116 supersedes FRS 17 *Leases,* INT FRS 104 *Determining whether an Arrangement contains a Lease,* INT FRS 15 *Operating Leases-Incentives* and INT FRS 27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under FRS 116 is substantially unchanged from FRS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in FRS 17. Therefore, FRS 116 does not have an impact for leases where the Company is the lessor.

The Company adopted FRS 116 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

FRS 116 *Leases (cont'd)*

The effects of adopting FRS 116 as at 1 April 2019 are as follows:

	Increase/ (decrease) S$
Asset	
Right-of-use assets	338,497
Liabilities	
Lease liabilities	302,246
Deferred tax liability	6,167
Equity	
Accumulated losses	(30,084)

The Company has lease contracts for office premises. Before the adoption of FRS 116, the Company classified each of its lease (as lessee) at the inception date as an operating lease. The accounting policy prior to 1 January 2019 is disclosed in Note 2.14.

Upon adoption of FRS 116, the Company applied a single recognition and measurement approach for all leases. The Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Refer to Note 2.14 for the accounting policy beginning 1 April 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases. For all leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the lease payments as if the standard had been applied since the commencement date, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients where in it:

- 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; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

FRS 116 ***Leases (cont'd)***

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019, as follows:

	S$
Operating lease commitments disclosed as at 31 March 2019	305,545
Weighted average incremental borrowing rate as at 1 April 2019	4%
Discounted operating lease commitments as at 1 April 2019	302,246
Lease liabilities as at 1 April 2019	302,246

2.3 *Standards issued but not yet effective*

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

Description	***Effective for annual periods beginning on or after***
Amendments to References to the Conceptual Framework in FRS Standards	1 April 2020
Amendments to FRS 3 *Definition of Business*	1 April 2020
Amendments to FRS 1 and FRS 8 *Definition of Material*	1 April 2020
Amendments to FRS 109 and FRS 107 *Interest Rate Benchmark Reform*	1 April 2020

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

2.4 *Currency translation*

The financial statements are presented in Singapore Dollar, which is also the Company's functional currency.

Transactions in foreign currencies are measured in the functional currency of the Company 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.

2. Summary of significant accounting policies (cont'd)

2.5 *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.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Furniture and fittings	10%
Office equipment	10%
Computers and software	33%
Plant and machinery	10%

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 values, useful lives and depreciation methods are reviewed at each balance sheet date, and adjusted prospectively, if appropriate.

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

2.6 *Impairment of non-financial assets*

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

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

Impairment losses are recognised in profit or loss.

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

2. Summary of significant accounting policies (cont'd)

2.7 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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 and other 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 and other receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The Company classifies the measurement category of its debt instrument as:

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.

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 is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.7 ***Financial instruments (cont'd)***

(b) ***Financial liabilities***

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at 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 derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit of loss.

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

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

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. Summary of significant accounting policies (cont'd)

2.9 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks.

2.10 ***Provisions***

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

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

2.11 ***Borrowing costs***

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.12 ***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 statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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

2.13 ***Employee benefits***

(a) ***Defined contribution plans***

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

(b) ***Short-term employee benefits***

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

2. Summary of significant accounting policies (cont'd)

2.14 *Leases*

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

As lessee – policy after 1 April 2019

The Company applies a single recognition and measurement approach for all leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) ***Right-of-use assets***

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office premises	< 1 year

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment as described in Note 2.6.

(b) ***Lease liabilities***

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

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

2. Summary of significant accounting policies (cont'd)

2.14 *Leases (cont'd)*

As lessee – policy before 1 April 2019

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

2.15 *Revenue recognition*

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to 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.

Engineering services income

The Company earns revenue primarily from providing services and solutions to diverse industries such as aerospace, learning capabilities and associated actionable insights. The service is primarily related to engineering services in various industries. Engineering services income is recognised over the term of the contract, whilst revenue related to other fixed price contracts are recognised in accordance with the percentage of completion method ("PMC"). Percentage is measured by reference to the milestones completed in proportion to the deliverable as per the contracts with the customers.

The contract sum is apportioned over each milestone to be completed based on the input (efforts) required to complete the milestones. Revenue is recognised in accordance with the milestones completed. Provision for estimated losses on incomplete contracts are recorded in the year in which losses become probable based on the current contract estimates.

For services accounted for under the PCM method, earnings in excess of billings are classified as contract assets, while billing in excess of earnings are classified as contract liabilities.

Revenue from time and material contracts is recognised as the services are rendered.

Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered.

2. Summary of significant accounting policies (cont'd)

2.15 *Revenue recognition (cont'd)*

Contract assets are recognised when there is excess of revenue earned over billings on contracts as receipt of consideration is conditional on successful completion of individual milestone and approval by customer. Upon completion of the customisation and implementation milestone as detailed in the contract with customer and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

Advance from customers and deferred revenue ("contract liabilities") is recognised when there is billing in excess of revenues.

Contracts are subjected to modification to account for changes in contract specification and requirements. The Company reviews modification to contract in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation, or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation, a cumulative adjustment is accounted for.

2.16 *Taxes*

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation 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 profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the 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, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (cont'd)

2.16 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax 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.

2.17 *Share capital*

Proceeds from issuance of ordinary shares are recognised as share capital in equity.

2.18 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

2. Summary of significant accounting policies (cont'd)

2.18 *Contingencies (cont'd)*

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent liabilities and assets are not recognised on the balance sheet of the Company, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting judgements and estimates

In the process of applying the entity's accounting policies, management is of opinion that there are no critical judgements (other than those involving estimates) that have significant effect on the amounts recognised in the financial statements.

3.1 *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for expected credit losses

The Company uses a provision matrix to calculate Expected Credit Losses (ECLs) for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The carrying amount of the Company's trade receivables is disclosed in Note 13.

4. Revenue

	2020 S$	2019 S$
Type of income:		
Engineering services income	7,160,331	10,291,418
Timing of transfer of services – over time	7,160,331	10,291,418

There is no variable consideration recognised during the financial year.

5. Other income

	2020	2019
	S$	S$
Government grants:		
- Temporary employment credit	16,800	10,731

6. Salaries and employee benefits

	2020	2019
	S$	S$
Salaries and bonus	4,478,823	4,842,688
Central Provident Fund contributions	623,347	785,558
Director's remuneration	108,308	119,689
Charge/(reversal) of unutilised leave	87,262	(14,470)
Staff welfare	82,097	123,440
Share based payments	5,298	4,941
	5,385,135	5,861,846

Compensation of directors and key management personnel

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

	2020	2019
	S$	S$
Director's remuneration	108,308	119,689

7. Finance costs

	2020	2019
	S$	S$
Interest rate swap charges and interest	2,639	16,522
Interest on bank loans	9,856	61,500
Invoice discounting charges	24,009	32,058
Corporate guarantee fees	13,339	40,488
Interest expense on lease liabilities	3,039	–
	52,882	150,568

8. (Loss)/profit before income tax

The following items have been included in arriving at (loss)/profit before income tax:

	2020 S$	**2019** S$
Depreciation of plant and equipment (Note 10)	37,685	121,249
Depreciation of right-of-use assets (Note 11)	341,622	–
Amortisation of intangible assets (Note 12)	1,169,608	1,168,527
Impairment of intangible assets (Note12)	2,062,855	–
Allowance for expected credit losses:		
- Trade receivables (Note 13)	51,260	–
- Contract assets (Note 15)	913,761	–
Net foreign exchange (gain)/loss	(19,793)	82,635
Lease expenses	–	736,352
Loss on disposal of plant and equipment	1,850	–

9. Income tax (credit)/expense

Major components of income tax (credit)/expense

The major components of income tax (credit)/expense for the years ended 31 March 2020 and 31 March 2019 are as follows:

	2020 S$	**2019** S$
Statement of comprehensive income:		
Current income tax		
- Current income taxation	–	232,396
- Over provision in respect of previous years	(222,756)	–
Deferred tax (Note 18)		
- Origination and reversal of temporary differences	(6,000)	(18,513)
Income tax (credit)/expense recognised in profit or loss	(228,756)	213,883

9. Income tax (credit)/expense (cont'd)

Relationship between tax (credit)/expense and (loss)/profit before income tax

A reconciliation between tax (credit)/expense and the product of (loss)/profit before income tax multiplied by the applicable corporate tax rate for the years ended 31 March 2020 and 2019 are as follows:

	2020 S$	**2019** S$
(Loss)/profit before income tax	(4,033,223)	103,740
Income tax using the corporate tax rate of 17% (2019: 17%)	(685,648)	17,636
Tax effects on:		
- Expenses not deductible for tax purposes	556,841	213,672
- Deferred tax assets not recognised	122,807	–
- Over provision in respect of previous years	(222,756)	–
- Others	–	(17,425)
Income tax (credit)/expense recognised in profit or loss	(228,756)	213,883

Deferred tax assets not recognised are as follows:

	2020 S$	**2019** S$
Unutilised tax losses	9,153,571	8,432,871
Other temporary differences	1,694	–
	9,155,265	8,432,871

Deferred income tax assets arising from unutilised tax losses and other temporary differences are recognised to the extent that realisation of the related tax benefits through future taxable profits is probable. The Company has unutilised tax losses and other temporary differences at the reporting date which can be carried forward and used to offset against future taxable profits of the Company, for which no deferred tax asset is recognised due to uncertainty of its recoverability.

10. Plant and equipment

	Furniture and fittings S$	Office equipment S$	Computers and software S$	Plant and machinery S$	Total S$
Cost:					
At 1 April 2018	1,763	2,747	599,103	70,180	673,793
Additions	–	–	10,655	5,082	15,737
At 31 March and 1 April 2019	1,763	2,747	609,758	75,262	689,530
Disposals	–	–	(38,683)	–	(38,683)
At 31 March 2020	1,763	2,747	571,075	75,262	650,847
Accumulated depreciation:					
At 1 April 2018	379	1,292	445,415	17,105	464,191
Charge for the year	167	522	113,411	7,149	121,249
At 31 March and 1 April 2019	546	1,814	558,826	24,254	585,440
Charge for the year	167	522	29,846	7,150	37,685
Disposals	–	–	(36,749)	–	(36,749)
At 31 March 2020	713	2,336	551,923	31,404	586,376
Net carrying amount:					
At 31 March 2020	1,050	411	19,152	43,858	64,471
At 31 March 2019	1,217	933	50,932	51,008	104,090

11. Right-of-use assets/lease liabilities

As lessee

The Company has a lease contract for office premises used in its operations. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Office premises S$	Total S$
At 1 April 2019	–	–
Initial application of FRS 116	338,497	338,497
Depreciation charge	(341,622)	(341,622)
Foreign exchange differences	3,125	3,125
At 31 March 2020	–	–

11. Right-of-use assets/lease liabilities (cont'd)

As lessee (cont'd)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	S$
At 1 April 2019	–
Initial application of FRS 116	302,246
Accretion of interest	3,039
Payments	(309,518)
Foreign exchange differences	4,233
At 31 March 2020	–

The following are the amounts recognised in profit or loss:

	S$
Depreciation of right-of-use assets	341,622
Interest expense on lease liabilities	3,039
Total amount recognised in profit or loss	344,661

The Company had total cash outflows for leases of S$309,518 in 2020.

12. Intangible assets

	Engineering service agreement	
	2020	**2019**
	S$	S$
Cost	11,249,600	11,249,600
Less: Amortisation charge		
- At beginning of year	8,017,137	6,848,610
- Charge for the year	1,169,608	1,168,527
- At end of year	9,186,745	8,017,137
Less: Impairment losses	2,062,855	–
Net book value	–	3,232,463

The Company has acquired maintenance, repair and overhaul services agreement ("MRO") from an outside party for which it has 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 1 September 2015.

12. Intangible assets (cont'd)

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

Impairment of assets

During the financial year ended 31 March 2020, the Company carried out a review of the recoverable amount of its intangible assets based on its business forecasts of underlying business contracts. An impairment loss of S$2,062,855 (2019: nil), representing the write-down of these assets to their recoverable amount was recognised in the statement of comprehensive income. The recoverable amount of the intangible assets was determined based value in use calculations using cash flow projections assessed by management, covering periods until the end of the MRO.

13. Trade receivables

	2020 S$	**2019** S$
Third parties	979,998	2,784,742
Allowance for expected credit losses	(51,260)	–
Total trade receivables, net	928,738	2,784,742

These are non-interest bearing and generally has average credit period of 30 to 90 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables that are denominated in foreign currencies are as follows:

	2020 S$	**2019** S$
United States Dollar	587,724	828,357

Receivables that are past due but not impaired

Included in the Company's trade receivable balance are debtors with a carrying amount of S$150,503 (2019: S$439,610) which are past due at the end of the reporting period but not impaired. The aging profile of these receivables is as follows:

	2020 S$	**2019** S$
Not past due	778,235	2,345,132
Past due less than 30 days	58,485	218,020
Past due 31 to 60 days	13,659	122,810
Past due 181 to 365 days	10,786	3,663
Past due more than 365 days	67,573	95,117
	928,738	2,784,742

13. Trade receivables (cont'd)

Expected credit losses

Movements of allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	2020 S$	2019 S$
At 1 April	–	–
Charge for the year (Note 8)	51,260	–
At 31 March	51,260	–

14. Other receivables

	2020 S$	2019 S$
Non-current:		
Security deposits	172,588	183,564
Current:		
Sundry receivables	5,513	4,776
Amount due from holding company	1,046,272	637,288
Amount due from related companies	51,321	50,413
	1,103,106	692,477
Total other receivables	1,275,694	876,041

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

Other receivables that are denominated in foreign currencies are as follows:

	2020 S$	2019 S$
Australian Dollar	31,500	31,500
Indian Rupee	1,046,272	637,332
United States Dollar	192,409	202,433

15. Contract assets and liabilities

Information about contract assets and contract liabilities from contracts with customers are disclosed as follows:

	2020 S$	2019 S$
Contract assets	1,131,193	1,244,786
Allowance for expected credit losses	(913,761)	–
Total contract assets, net	217,432	1,244,786
Contract liabilities	–	583,000

Expected credit losses

Movements of allowance for expected credit losses of contract assets computed based on lifetime ECL are as follows:

	2020 S$	2019 S$
At 1 April	–	–
Charge for the year (Note 8)	913,761	–
At 31 March	913,761	–

Contract asset primarily relate to the Company's right to consideration for work completed but not yet billed at reporting date for engineering service contracts. Contract asset are reclassified to trade receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer services to customers for which the Group has received advances from customers for engineering service contracts. Contract liabilities are recognised as revenue as the Group performs under the contract.

16. Cash at banks

Cash at banks is pledged to the bank towards bank loans (Note 22) and represents the Company’s total cash and cash equivalents.

Cash at banks that are denominated in foreign currencies are as follows:

	2020 S$	2019 S$
United States Dollar	57,813	232,076

17. Derivative financial instruments

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

In prior financial year, the fair value of the interest rate swap comprised of current portion as the swap hedges interest rate for the period commencing from 30 November 2015 to 30 August 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 assets.

The derivative is 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:

(a) 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.

(b) The management has not designated the swap contract as effective hedge as at year end.

(c) All cost relating to swap is reflected under finance cost and mark to market gain or loss is reflected under other income or expenses.

(d) The valuation at year end is at mark to market value provided by the bankers.

Derivatives are denominated in United States Dollar.

18. Deferred tax liabilities

	Accelerated tax depreciation S$
At 1 April 2018	35,632
Credit to profit or loss	(18,513)
At 31 March 2019	17,119
Credit to profit or loss	(6,000)
Initial adoption of FRS 116	6,167
At 31 March 2020	17,286

19. Trade payables and accruals

	2020 S$	2019 S$
Accrued professional expenses:		
- Third parties	303,616	471,744
- Amount due to holding company	136,517	730,674
GST payables	102,042	106,527
Accruals	490,164	587,418
	1,032,339	1,896,363

The average credit period for services received is immediate basis. The amount due to holding company are unsecured, interest free and repayable on demand.

Trade payables and accruals that are denominated in foreign currencies are as follows:

	2020 S$	2019 S$
Indian Rupee	136,517	730,674

20. Other payables

	2020 S$	2019 S$
Sundry payables	90,924	77,837
Amount due to holding company	1,084,720	662,544
Amount due to related companies	97,819	70,101
Accrued interest on bank loan	–	1,821
	1,273,463	812,303

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

Other payables that are denominated in foreign currencies are as follows:

	2020 S$	2019 S$
Australian Dollar	14,828	5,094
Indian Rupee	1,084,720	662,544
United States Dollar	171,939	130,389

21. Provision for unutilised leave

	2020 S$	2019 S$
At 1 April	40,284	55,650
Utilised	(24,217)	(896)
Charge/(reversal) for the year	87,262	(14,470)
At 31 March	103,329	40,284

22. Borrowings

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

The long-term loan is denominated in United States Dollar and bears interest of 3M Libor + 1.25%. The long-term loan is secured by a corporate guarantee from the holding company, as well as a charge over the Company's bank balances (Note 16).

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

	At beginning year S$	Cash flows S$	Non-cash changes S$	At end of year S$
2020				
Lease liabilities	302,246	(309,518)	7,272	–
Borrowings	813,300	(823,156)	9,856	–
	1,115,546	(1,132,674)	17,128	–
2019				
Borrowings	2,360,700	(1,608,900)	61,500	813,300

Non-cash changes include accretion of interest and differences arising from revaluation.

23. Share capital

	2020 No of shares	2020 S$	2019 No of shares	2019 S$
Issued and fully paid ordinary shares				
Balance at beginning and end of 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 restrictions. The ordinary shares have no par value.

24. Related party transactions

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

	2020 S$	2019 S$
Amount due from holding company		
Sub-contracting charges	(517,433)	821,437
Corporate guarantee fees	13,339	–
Reimbursement of expenses	63,217	40,488
Amount due from related companies		
Reimbursement of expenses	24,197	21,113

25. Commitments

(a) Operating lease commitments - as lessee

The Company leases premises for office under non-cancellable operating lease agreements. These leases have a tenure of 2 years. The future minimum rental payable under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are as follows:

	2019 S$
Rental expense:	
Within one year	305,545

As disclosed in Note 2.2, the Company has adopted FRS 116 on 1 April 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheet as at 1 April 2020.

25. Commitments (cont'd)

(b) Financial commitments

The following were issued by a bank to third parties on the Company's behalf:

	2020 S$	**2019** S$
Performance bond	390,390	390,390

26. Financial instruments

(a) Categories of financial instruments

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

	2020 S$	**2019** 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
	2,527,520	4,128,950
Total financial assets	2,527,520	4,132,822
Financial liabilities		
Amortised cost:		
- Trade payables and accruals	930,297	1,789,836
- Other payables	1,273,463	812,303
- Borrowings	–	813,300
Total financial liabilities	2,203,760	3,415,439

26. Financial instruments

(b) Fair value measurements

Fair 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 inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

<u>Assets and liabilities not measured at fair value</u>

(i) *Trade receivables and trade payables*

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

(ii) *Other receivables, cash at banks and other payables*

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

(iii) *Borrowings*

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

<u>Assets and liabilities measured at fair value</u>

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 are determined based on mark to market valuation by bankers which will fall under Level 2 hierarchy above.

27. Financial risk management objectives and policies

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 foreign currency risk.

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

27. Financial risk management objectives and policies (cont'd)

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.

(a) 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.

Analysis of financial instruments by remaining contractual maturities

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

	Carrying amount S$	**Contractual cash flow** S$	**Less than 1 year** S$	**1 to 5 years** S$
2020				
Financial assets:				
Trade receivables	928,738	928,738	928,738	–
Other receivables	1,275,694	1,275,694	1,103,106	172,588
Cash at banks	495,676	495,676	495,676	–
Total undiscounted financial assets	2,700,108	2,700,108	2,527,520	172,588
Financial liabilities:				
Trade payables and accruals	(930,297)	(930,297)	(930,297)	–
Other payables	(1,273,463)	(1,273,463)	(1,273,463)	–
Total undiscounted financial liabilities	(2,203,760)	(2,203,760)	(2,203,760)	–
Total net undiscounted financial assets	496,348	496,348	323,760	172,588

27. Financial risk management objectives and policies (cont'd)

(a) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	Carrying amount S$	Contractual cash flow S$	Less than 1 year S$	1 to 5 Years S$
2019				
Financial assets:				
Trade receivables	2,784,742	2,784,742	2,784,742	–
Other receivables	876,041	876,041	692,477	183,564
Cash at banks	468,167	468,167	468,167	–
Total undiscounted financial assets	4,128,950	4,128,950	3,945,386	183,564
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)	(823,156)	(823,156)	–
Total undiscounted financial liabilities	(3,415,439)	(3,425,295)	(3,425,295)	–
Total net undiscounted financial assets	713,511	703,655	520,091	183,564

(b) 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.

27. Financial risk management objectives and policies (cont'd)

(b) Credit risk (cont'd)

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 certain external customers. As at end of financial year, the trade receivable balance comprises of one customers' balance that contribute 34% (2019: 60%) of the trade receivable balance. Further details of credit risks on trade receivables are disclosed in Note 13 to the financial statements.

The Company's other receivables mainly comprise of amounts due from related companies and holding company for which no risk of default is foreseen. Deposit relate to rental deposit for office lease.

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.

(c) *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 Australian Dollar, Indian Rupee and 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.

27. Financial risk management objectives and policies (cont'd)

(c) *Foreign currency risk (cont'd)*

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 increase/(decrease) the (loss)/profit before income tax of the Company by the following amount:

	Loss before income tax 2020 S$	**Profit before income tax 2019** S$
Australian Dollar	1,667	2,641
Indian Rupee	(17,497)	(75,589)
United States Dollar	66,601	31,918

28. Capital management

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

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 March 2020 and 2019.

29. Subsequent events

Subsequent to the financial year ended 31 March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The outbreak has caused disruption to certain businesses and economic activity which may in turn have an impact on the financial condition of the Company. The response of Governments in dealing with the pandemic has and will continue to impact the general activity levels within the community, the economy and the operations of our business of which its impact is not possible to be determined at this point in time. The Company will continue to assess the situation and the potential impact to its business. As the situation is still evolving and uncertain, the financial impact is not able to be reliably estimated or determined as at the date of this report.

30. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors on 28 September 2020.

Cyient Singapore Private Limited

The Accompanying Supplementary Detailed Income Statement Has Been Prepared For

Management Purposes Only

And Does Not Form Part Of The Audited Financial Statements

Cyient Singapore Private Limited

Detailed income statement for the financial year ended 31 March 2020

	2020 $	2019 $
Revenue		
Engineering services income	7,160,331	10,291,418
Other income		
Government grants:		
- Temporary employment credit	16,800	10,731
	16,800	10,731
Sub-contracting charges	(126,074)	(1,370,825)
Salaries and employee benefits		
Salaries and bonus	(4,478,823)	(4,842,688)
Central Provident Fund contributions	(623,347)	(785,558)
Director’s remuneration	(108,308)	(119,689)
(Charge)/reversal of unutilised leave	(87,262)	14,470
Staff welfare	(82,097)	(123,440)
Share based payments	(5,298)	(4,941)
	(5,385,135)	(5,861,846)
Depreciation of plant and equipment	(379,307)	(121,249)
Amortisation of intangible assets	(1,169,608)	(1,168,527)
Impairment of intangible assets	(2,062,855)	–
Other operating expenses		
Advertising and promotion	(75)	(677)
Allowance for expected credit losses	(965,021)	–
Foreign exchange gain/(loss)	19,793	(82,635)
General expenses	(35,887)	(38,847)
Insurance	(33,084)	(6,494)
Loss on disposal of plant and equipment	(1,850)	–
Operating lease expense	(401,322)	(736,352)
Professional fees	(387,793)	(402,826)
Printing and stationery	(10,669)	(13,215)
Recruitment expenses	(1,417)	(1,773)
Repairs and maintenance	(109,293)	(117,290)

Cyient Singapore Private Limited

Detailed income statement (cont'd)
For the financial year ended 31 March 2020

	2020 $	2019 $
Other operating expenses (cont'd)		
Software expenses	(1,906)	(22,959)
Telecommunications	(6,570)	(11,905)
Training and development	(3,171)	(2,838)
Travelling and transport	(96,228)	(87,583)
	(2,034,493)	(1,525,394)
Finance costs		
Interest rate swap charges and interest	(2,639)	(16,522)
Interest on bank loans	(9,856)	(61,500)
Invoice discounting charges	(24,009)	(32,058)
Corporate guarantee fees	(13,339)	(40,488)
Interest expense on lease liabilities	(3,039)	–
	(52,882)	(150,568)
(Loss)/profit before income tax	(4,033,223)	103,740
Income tax expense:		
- Current year	222,756	(232,396)
- Deferred tax	6,000	18,513
Loss after income tax	(3,804,467)	(110,143)
Other comprehensive income	–	–
Total comprehensive loss for the year	(3,804,467)	(110,143)