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Audited Financial Statements

Nucleus Software Solutions Pte Ltd

(Company Registration No. 199401311C)

Year Ended March 31, 2019

Nucleus Software Solutions Pte Ltd

(Incorporated in the Republic of Singapore)

Directors

Vishnu Rampratap Dusad
Yasmin Javeri Krishan

Secretary

Wong Lai Chee

Registered Office

300 Tampines Avenue 5
#04-06 NTUC Income Tampines Junction
Singapore 529653

Auditors

Natarajan & Swaminathan
Chartered Accountants of Singapore
1 North Bridge Road
#19-04/05 High Street Centre
Singapore 179094

Index	Page
Directors' Statement	1 - 2
Independent Auditors' Report	3 - 5
Statement of Financial Position	6
Statement of Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 38

Nucleus Software Solutions Pte Ltd

Directors' Statement

For the financial year ended March 31, 2019

The directors present this statement to the members together with the audited financial statements of the Company for the financial year ended March 31, 2019.

1 Directors

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

Vishnu Rampratap Dusad

Yasmin Javeri Krishan

2 Arrangements to enable directors to acquire shares and debentures

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

3 Directors' interest 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, except as follows:

Name of director and companies in which interests are held	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
<i>Holding company</i> <i>Nucleus Software Exports Limited</i> <i>Ordinary shares of INR 10 each</i>				
Vishnu Rampratap Dusad	1,603,492	1,603,492	14,066,248	14,066,248

By virtue of Section 7 of the Companies Act, he is deemed to have an interest in the Company and in all the related corporations of the Company.

4 Share options

During the financial year, there were:

- (i) no options granted by the Company to any person to take up unissued shares of the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

Nucleus Software Solutions Pte Ltd**Directors' Statement***For the financial year ended March 31, 2019***5 Auditors**

The auditors, Natarajan & Swaminathan, have expressed their willingness to accept re-appointment.

6 Directors' opinion

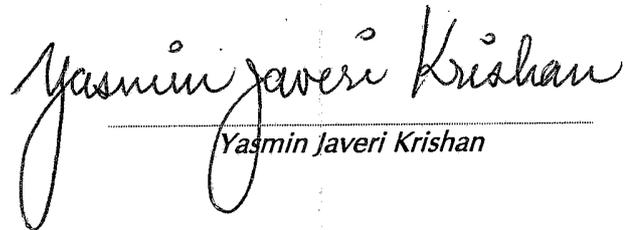
In the opinion of the directors,

- (a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at March 31, 2019 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Financial Reporting Standards in Singapore; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors



Vishnu Rampratap Dusad



Yasmin Javeri Krishan

Date: April 17, 2019

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF NUCLEUS SOFTWARE SOLUTIONS PTE LTD
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019
(Incorporated in the Republic of Singapore)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NUCLEUS SOFTWARE SOLUTIONS PTE LTD (the "Company"), which comprise the statement of financial position of the Company as at March 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement set out on pages 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF NUCLEUS SOFTWARE SOLUTIONS PTE LTD
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019
(Incorporated in the Republic of Singapore)

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 FRS, 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.

Auditors' 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 SSA 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 SSA, 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.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF NUCLEUS SOFTWARE SOLUTIONS PTE LTD
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019
(Incorporated in the Republic of Singapore)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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

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

Report on Other Legal and Regulatory Requirements

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



Natarajan & Swaminathan
Public Accountants and Chartered Accountants Singapore

Date: April 17, 2019

Nucleus Software Solutions Pte Ltd

Statement of Financial Position

As at March 31, 2019

	Note	2019	2018
		S\$	S\$
Assets			
Non-current assets			
Plant and equipment	3	23,858	18,554
Deferred tax assets	4	1,894	2,796
Total non-current assets		<u>25,752</u>	<u>21,350</u>
Current assets			
Trade receivables	5	2,247,601	2,161,132
Other receivables	6	93,535	83,960
Prepayments		61,195	183,208
Contract assets	7	133,127	514,603
Cash and bank balances	8	4,295,820	2,981,609
Total current assets		<u>6,831,278</u>	<u>5,924,512</u>
Total assets		<u>6,857,030</u>	<u>5,945,862</u>
Equity and liabilities			
Equity			
Share capital	9	625,000	625,000
Accumulated profits		3,397,432	2,994,327
Total equity		<u>4,022,432</u>	<u>3,619,327</u>
Current liabilities			
Trade payables and accruals	10	1,568,320	1,584,974
Provisions	11	139,026	139,084
Contract liability	7	931,621	358,722
Income tax payable		195,631	243,755
Total current liabilities		<u>2,834,598</u>	<u>2,326,535</u>
Total liabilities		<u>2,834,598</u>	<u>2,326,535</u>
Total equity and liabilities		<u>6,857,030</u>	<u>5,945,862</u>

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

Nucleus Software Solutions Pte Ltd

Statement of Comprehensive Income

For the financial year ended March 31, 2019

	Note	<u>2019</u>	<u>2018</u>
		S\$	S\$
Revenue	12	15,598,891	14,674,580
Other income	13	61,236	43,377
Other gains/(losses) - net	14	2,376	(28,948)
Consultancy and sub-contract charges		(5,066,510)	(4,714,957)
Salaries and employee benefits	15	(7,401,134)	(7,298,778)
Depreciation of plant and equipment	3	(11,288)	(35,211)
Other operating expenses		(1,205,212)	(1,218,063)
Profit before income tax	16	<u>1,978,359</u>	<u>1,422,000</u>
Income tax expense	17	(325,254)	(129,799)
Profit after income tax		<u>1,653,105</u>	<u>1,292,201</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>1,653,105</u></u>	<u><u>1,292,201</u></u>

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

Nucleus Software Solutions Pte Ltd

Statement of Changes in Equity

For the financial year ended March 31, 2019

	Note	Share capital	Accumulated profits	Total
		S\$	S\$	S\$
Balance as at 01.04.2017		625,000	2,639,626	3,264,626
Dividend paid		-	(937,500)	(937,500)
Total comprehensive income for the year		-	1,292,201	1,292,201
Balance as at 31.03.2018		625,000	2,994,327	3,619,327
Dividend paid	18	-	(1,250,000)	(1,250,000)
Total comprehensive income for the year		-	1,653,105	1,653,105
Balance as at 31.03.2019		625,000	3,397,432	4,022,432

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

Nucleus Software Solutions Pte Ltd

Statement of Cash Flows

For the financial year ended March 31, 2019

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Cash flows from operating activities		
Profit before income tax	1,978,359	1,422,000
Adjustments for:		
Amortisation of deferred rent expense	4,464	12,572
Amortisation of interest income on deposits	(4,292)	(12,310)
Depreciation of plant and equipment	11,288	35,211
Provision for asset retirement obligation	-	35,000
Reversal of unutilised leave	(58)	(102,522)
Interest income	(30,922)	(12,151)
Operating profit before working capital changes	1,958,839	1,377,800
Trade receivables	(86,469)	(284,976)
Other receivables and prepayments	112,266	(4,511)
Contract assets	381,476	(15,843)
Trade payables and accruals	(16,654)	(651,429)
Contract liabilities	572,899	(97,097)
Cash generated from operations	2,922,357	323,944
Interest received	30,922	12,151
Income tax (paid)/refund	(372,476)	4,921
Net cash from operating activities	<u>2,580,803</u>	<u>341,016</u>
Cash flows from investing activities		
Purchase of plant and equipment	(16,592)	(14,342)
Cash restricted in use over 3 months	(237)	419
Net cash used in investing activities	<u>(16,829)</u>	<u>(13,923)</u>
Cash flows from financing activities		
Dividend paid	(1,250,000)	(937,500)
Net cash used in financing activities	<u>(1,250,000)</u>	<u>(937,500)</u>
Net increase/(decrease) in cash and cash equivalents	1,313,974	(610,407)
Cash and cash equivalents brought forward	2,974,992	3,585,399
Cash and cash equivalents carried forward	<u><u>4,288,966</u></u>	<u><u>2,974,992</u></u>
Cash and cash equivalents comprise:-		
Fixed deposits	3,682,533	1,857,904
Cash at banks	605,454	1,115,644
Cash in hand	979	1,444
	<u><u>4,288,966</u></u>	<u><u>2,974,992</u></u>

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

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

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

1 Corporate information

The Company (Registration No. 199401311C) is a private limited Company incorporated and domiciled in Singapore.

The registered office and principal place of business is at 300 Tampines Avenue 5, #04-06 NTUC Income Tampines Junction, Singapore 529653.

The principal activities of the Company are those relating to developing, producing and dealing in software systems and providing support and technical advisory and consultancy services.

There have been no significant changes in the nature of these activities during the financial year.

Holding company

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

Representative office

The Company has representative offices at Indonesia and Philippines. The expenses incurred by representative offices have been incorporated in the financial statements.

2 Significant accounting policies

a) **Basis of preparation**

The financial statements have been prepared in accordance with Financial Reporting Standards in Singapore ("FRS") as required by the Singapore Companies Act, Chapter 50. The financial statements are expressed in Singapore Dollar (S\$) and are prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. These estimates and assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances (refer **Note 2(b)** to the financial statements).

The Company adopted the new or revised FRS that is mandatory for application on that date. This includes the following FRS, which are relevant to the Company as a single entity:

FRS 40	(Amendments)	: Transfers of Investment Property
FRS 102	(Amendments)	: Classification and Measurement of Share-based Payment Transactions

2 Significant accounting policies (Cont'd)

a) Basis of preparation (Cont'd)

- FRS 109 : Financial Instruments
FRS 115 (Amendments) : Revenue from Contracts with Customers

Improvements to FRSs

- FRS 28 (Amendments) : Investments in Associates and Joint Ventures
FRS 101 (Amendments) : First-time Adoption of Financial Reporting Standards
FRS 112 : Disclosure of Interests in Other Entities

Adoption of new and amended standards and interpretations

FRS 115 Revenue from Contracts with Customers

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

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

The Company adopted FRS 115 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 April 2018 and there is no material effect or adjustments that arises from the adoption of FRS 115. Consequently no comparative for the 2018 financial year have been impacted or restated.

FRS 115 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The company has adopted the terminology used in FRS 115 to describe such balances.

FRS 109 Financial Instruments

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

The Company applied FRS 109 retrospectively, with an initial application date of 1 April 2018.

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

2 Significant accounting policies (Cont'd)

a) Basis of preparation (Cont'd)

FRS 109 Financial Instruments (Cont'd)

The Company has not restated comparative information which continues to be reported under FRS 39 and the disclosure requirements of FRS 107 Financial Instruments: Disclosures relating to items within the scope of FRS 39.

The adoption of these does not result in any significant changes to the Company's accounting policies or have any significant impact on the financial statements.

The nature of the adjustments are described below:

(i) Classification and measurement

Under FRS 109, debt instruments are subsequently measured either at fair value through profit or loss (FVPL), amortised cost or fair value through other comprehensive income (FVOCI).

The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

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

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

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

There is no effect as a result of the change in classification.

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

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

<i>FRS 39 measurement category</i>	S\$	<i>FRS 109 measurement category</i>
		<u>Amortised cost</u>
<u>Loans and receivables</u>		
Trade receivables	2,161,132	2,161,132
Other receivables	83,960	83,960
		<u>2,245,092</u>

2 Significant accounting policies (Cont'd)

a) **Basis of preparation (Cont'd)**

(ii) **Impairment**

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

Specifically, FRS 109 requires the Company to recognise a loss allowance for expected credit losses on i) debt investments subsequently measured at amortised cost or at FVOCI, ii) lease receivables, iii) contract assets and iv) loan commitments and financial guarantee contracts to which the impairment requirements of FRS 109 apply.

Upon adoption of FRS 109, the Company has assessed there is no material expected credit losses that needs to be provided for.

b) **Critical judgements in applying the entity's accounting policies**

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.

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.

Depreciation

The Company depreciates the plant and equipment over their estimated useful lives, after taking into account their estimated residual values, if any, using the straight-line method. The estimated useful life reflects the directors' estimate of the periods that the Company intends to derive future economic benefits from the use of the Company's plant and equipment. The residual values reflect the directors' estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

Provision for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for 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.

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

2 Significant accounting policies (Cont'd)

c) Foreign currency transactions

(i) Functional currency

The functional currency of the Company is Singapore Dollar, being the currency of the primary economic environment in which it operates.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign currency monetary assets and liabilities are translated into the functional currency at the exchange rates prevailing at the statement of financial position date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of foreign currency denominated assets and liabilities are recognised in the profit or loss.

Currency translation differences on non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 determined. The gain or loss arising on translation of non-monetary items are measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

d) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit or loss. When assets are sold or retired, their cost and accumulated depreciation and impairment loss are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit or loss.

e) Depreciation of plant and equipment

Depreciation is calculated on a straight-line method to write off the cost of the plant and equipment over its estimated useful life at the following annual rates:

Furniture & fittings	- 20%
Office equipment	- 20%
Electrical equipment	- 20%
Computer & software packages	- 33%
Office renovation	- 20%

Fully depreciated assets still in use are retained in the financial statements.

2 Significant accounting policies (Cont'd)

f) **Impairment of non-financial assets**

At each statement of financial position date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

g) **Financial instruments**

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

Financial instruments comprise financial assets and financial liabilities. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) **Financial assets**

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

2 Significant accounting policies (Cont'd)

g) Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

Initial recognition and measurement (Cont'd)

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially 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 FVPL are expensed in profit or loss.

Trade receivables do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined per the Company's revenue recognition policy.

Financial assets that are classified and measured at amortised cost or fair value through OCI, are financial assets that give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. The assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified in four categories:-

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses ("FVOCI")
- Financial assets elected at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Company's relevant financial assets category are financial assets at amortised cost and FVOCI.

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:-

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

2 Significant accounting policies (Cont'd)

g) Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

Subsequent measurement (Cont'd)

- The contractual terms of the financial asset give rise specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognized, modified or impaired. For short-term receivables the nominal cost approximates the fair value.

The Company's financial assets at amortised cost includes trade and other receivables and cash and bank balances.

Financial assets at FVOCI

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has entered into a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL and contract assets.

2 Significant accounting policies (Cont'd)

g) Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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

The Company makes judgmental assessment for financial asset in default when contractual payments are past due.

The Company considers 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.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. For short term payables the nominal costs approximate the fair value.

The Company's financial liabilities include other payables and accruals.

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

2 Significant accounting policies (Cont'd)

- g) Financial instruments (Cont'd)
 - (ii) Financial liabilities (Cont'd)
 - Subsequent measurement*

The measurement of financial liabilities depends on their classification.

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

Derecognition

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

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

- g) Financial instruments

Financial instruments comprise financial assets and liabilities and they are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

Financial assets are classified as one of the financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate.

Recognition

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not measured at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets at the time of initial recognition, and where allowed and appropriate, re-evaluates this designation at each financial year end.

2 Significant accounting policies (Cont'd)

g) Financial instruments (Cont'd)

Recognition (Cont'd)

All regular way purchases and sales of financial assets are recognised or derecognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

As of year-end the Company has the following classes of financial assets:-

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as "trade and other receivables" and "cash and cash at bank" on the statement of financial position. They are presented as current assets, except for those maturities later than 12 months, after the financial position date which are presented as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. For short term receivables the nominal cost would approximate the fair value.

Impairment

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if any, if in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2 Significant accounting policies (Cont'd)

g) Financial instruments (Cont'd)

Impairment (Cont'd)

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Derecognition

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

Financial liabilities

Financial liabilities include trade payables on normal trade terms, other payables and interest-bearing loans and borrowings.

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis. For short term payables the cost approximates the fair value.

Interest-bearing bank loans and overdraft are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for finance costs.

Financial liabilities are derecognized when the obligation under the liabilities are discharged, cancelled or expire.

h) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where 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.

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

2 Significant accounting policies (Cont'd)

i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of unpledged fixed deposit with a maturity of below 3 months, cash at banks and cash in hand.

j) Related parties

The related parties are defined as follows:

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

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

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

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

k) Revenue recognition

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

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

2 Significant accounting policies (Cont'd)

p) Income tax (Cont'd)

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is calculated using statutory tax rate at the statement of financial position date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date 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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset, realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt, within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on net basis.

3 Plant and equipment

2019	Furniture & fittings	Office equipment	Electrical equipment	Computer & software packages	Office renovation	Total
	S\$	S\$	S\$	S\$	S\$	S\$
Cost						
At April 1, 2018	169,418	180,644	12,388	688,020	287,906	1,338,376
Additions	-	2,537	-	14,055	-	16,592
Disposals	-	-	-	(415,312)	-	(415,312)
At March 31, 2019	169,418	183,181	12,388	286,763	287,906	939,656
Depreciation						
At April 1, 2018	169,418	180,644	12,388	669,466	287,906	1,319,822
Charge for the year	-	97	-	11,191	-	11,288
Disposals	-	-	-	(415,312)	-	(415,312)
At March 31, 2019	169,418	180,741	12,388	265,345	287,906	915,798
Net book value						
At March 31, 2019	-	2,440.00	-	21,418	-	23,858

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

3 Plant and equipment (Cont'd)

2018	Furniture & fittings	Office equipment	Electrical equipment	Computer & software packages	Office renovation	Total
	S\$	S\$	S\$	S\$	S\$	S\$
Cost						
At April 1, 2017	169,418	180,644	12,388	716,689	287,906	1,367,045
Additions	-	-	-	14,342	-	14,342
Disposals	-	-	-	(43,011)	-	(43,011)
At March 31, 2018	169,418	180,644	12,388	688,020	287,906	1,338,376
Depreciation						
At April 1, 2017	169,418	180,083	12,388	677,827	287,906	1,327,622
Charge for the year	-	561	-	34,650	-	35,211
Disposals	-	-	-	(43,011)	-	(43,011)
At March 31, 2018	169,418	180,644	12,388	669,466	287,906	1,319,822
Net book value						
At March 31, 2018	-	-	-	18,554	-	18,554

4 Deferred tax assets

The movement in the deferred tax assets are as follows:

	Asset retirement obligation	Difference in depreciation	Total
	S\$	S\$	S\$
At April 1, 2017	-	(6,702)	(6,702)
Credit to profit or loss	5,950	3,548	9,498
At March 31, 2018	5,950	(3,154)	2,796
Charge to profit or loss	-	(902)	(902)
At March 31, 2019	5,950	(4,056)	1,894

5 Trade receivables

	2019	2018
	S\$	S\$
Outside parties	2,148,432	1,823,442
Less: Allowance for doubtful debts		
- At beginning of year	22,434	23,975
- Exchange differences	685	(1,541)
- At end of year	23,119	22,434
	2,125,313	1,801,008
Holding company	122,288	360,124
	2,247,601	2,161,132

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

5 Trade receivables (Cont'd)

The average credit period is 30 days (2018:30 days). No interest is charged on the trade receivables.

The table below is an analysis of trade receivable aging as at March 31:

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Not past due	1,215,448	901,817
Past due less than 60 days	1,032,153	1,067,470
Past due 61 days to 90 days	-	191,845
	<u>2,247,601</u>	<u>2,161,132</u>

The Company has made allowance for receivables they deem as doubtful of recovery. They have not made allowance on the other trade receivables as the directors are of the view that all the other trade receivables are recoverable. Trade receivables that were determined to be impaired relates to debtors that were in financial difficulties or defaulted in payments. These receivables were not secured by any collateral or credit enhancements. These debtors are written off to profit or loss.

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

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Euro	-	39,678
United States Dollar	667,179	520,744

6 Other receivables

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Sundry receivables	6,804	2,985
Deferred rent expense	6,345	10,809
Withholding tax receivable	124	190
Advance to staff	8,559	5,304
	<u>21,832</u>	<u>19,288</u>
Deposits (*)	78,482	75,743
Less: Unamortised interest	(6,779)	(11,071)
	<u>71,703</u>	<u>64,672</u>
	<u>93,535</u>	<u>83,960</u>

(*) Deposits are paid in relation to leases of office premises. These deposits are refundable to the Company at the end of the lease term.

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

6 Other receivables (Cont'd)

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

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Indian Rupee	-	281
Indonesian Rupiah	1,933	1,933
Malaysian Ringgit	718	666
Philippine Peso	9,781	14,118
United States Dollar	4,305	116,045

7 Contract assets and liabilities

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Contract assets		
Unbilled revenue:		
- Outside parties	119,417	514,603
- Holding company	13,710	-
	<u>133,127</u>	<u>514,603</u>
Contract liabilities		
Deferred revenue:		
- Outside parties	931,621	318,809
- Holding company	-	39,913
	<u>931,621</u>	<u>358,722</u>

The amount of revenue recognised from amounts included in contract liabilities at the beginning of the period is S\$358,722 (2018:S\$455,819).

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

The implementation and customisation services under fixed price contract are paid upfront in certain instances as per the contract with customer as part of the initial sales transaction whereas revenue is recognised when services are provided to the customer. Under FRS115 the amount previously recognised as deferred revenue has been reclassified as a contract liability.

8 Cash and bank balances

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Fixed deposits:		
- Maturity more than 3 months (*)	6,854	6,617
- Maturity less than 3 months	3,682,533	1,857,904
Cash at bank	605,454	1,115,644
Cash in hand	979	1,444
	<u>4,295,820</u>	<u>2,981,609</u>

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

11 Provisions

	Asset retirement obligation	Unutilised leave	Total
	S\$	S\$	S\$
At April 1, 2017	-	206,606	206,606
Charge/(Reversal) for the year	35,000	(102,522)	(67,522)
At March 31, 2018	35,000	104,084	139,084
Reversal for the year	-	(58)	(58)
At March 31, 2019	35,000	104,026	139,026

12 Revenue

	2019	2018
	S\$	S\$
Disaggregation of revenue:		
- Time and material contracts	1,983,935	2,650,587
- Fixed price contracts	13,479,520	11,625,556
- Annual technical services	135,436	398,437
	15,598,891	14,674,580
Timing of revenue recognition – Over time	15,598,891	14,674,580

13 Other income

	2019	2018
	S\$	S\$
Interest income from banks	30,922	12,151
Amortisation of interest income on deposits	4,292	12,310
Government grant - temporary employment and other credits	26,022	18,916
	61,236	43,377

14 Other gains/(losses) - net

	2019	2018
	S\$	S\$
Foreign exchange adjustments:		
- Gains	2,376	-
- Losses	-	(28,948)
	2,376	(28,948)

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

15 Salaries and employee benefits

Salaries and employee benefits for the years ended March 31:

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Salaries and allowances	7,064,141	6,981,122
CPF contributions (defined)	248,392	235,195
Director's fees	54,000	54,000
Skill development levy	10,212	9,747
Staff welfare	24,389	18,714
	<u>7,401,134</u>	<u>7,298,778</u>

Compensation of directors and key management personnel

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

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Director's fees	<u>54,000</u>	<u>54,000</u>

16 Profit 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>2019</u>	<u>2018</u>
	S\$	S\$
Foreign exchange (gains)/losses	(2,376)	28,948
Operating lease - rental	<u>332,934</u>	<u>335,093</u>

17 Income tax expense

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Current year	308,500	215,390
Prior years under/(over) provision	7,053	(95,543)
Deferred tax (credit)/expense	902	(9,498)
Foreign withholding tax	8,799	19,450
	<u>325,254</u>	<u>129,799</u>

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

17 Income tax expense (Cont'd)

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

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Profit before income tax	<u>1,978,359</u>	<u>1,422,000</u>
Tax expense at the rate of 17%	336,321	241,740
Statutory stepped income exemption	(17,425)	(25,925)
Corporate tax rebate	(10,000)	(10,000)
Foreign withholding tax	8,799	19,450
Prior years over provision	7,053	(95,543)
Other items	506	77
Income tax expense for the financial year	<u>325,254</u>	<u>129,799</u>

18 Dividends

During the financial year, the Company had paid an interim exempt (one-tier) dividend of S\$2 per ordinary share totaling S\$1,250,000 for the financial year ended March 31, 2019.

The directors had paid an interim exempt (one-tier) dividend of S\$1.50 per ordinary share totaling S\$937,500 for the financial year ended March 31, 2018.

19 Holding company and related companies transactions

Some of the Company's transactions and arrangements are with holding company and related companies 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 trading transactions:

	<u>2019</u>	<u>2018</u>
	S\$	S\$
<i>Holding company</i>		
Income from software development services and product	1,014,688	1,463,403
Consultancy and sub-contract charges	<u>1,824,355</u>	<u>2,019,723</u>
<i>Related companies</i>		
Consultancy and sub-contract charges	<u>2,266,191</u>	<u>2,526,275</u>

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

20 Operating lease commitments

The Company leases premises for office and guest house 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:

	<u>2019</u>	<u>2018</u>
	S\$	S\$
<i>Rental expense:</i>		
Within 1 year	291,857	290,857
Within 2 to 5 years	108,104	333,035
	<u>399,961</u>	<u>623,892</u>

21 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>2019</u>	<u>2018</u>
	S\$	S\$
Financial assets		
Amortised cost:		
- Trade receivables	2,247,601	2,161,132
- Other receivables	93,411	83,770
- Cash and bank balances	4,295,820	2,981,609
Total financial assets	<u>6,636,832</u>	<u>5,226,511</u>
Financial liabilities		
Amortised cost:		
- Trade payables and accruals (<i>excluding GST</i>)	1,401,315	1,446,807
Total financial liabilities	<u>1,401,315</u>	<u>1,446,807</u>

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

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

21 Financial instruments, financial and capital risk management (Cont'd)

(b) Fair value measurements (Cont'd)

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 holding company and related company) approximate their fair values as they are subject to normal trade credit terms.

(ii) *Other receivables and cash and bank balances*

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

(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. It maintains a level of cash and cash equivalents that is sufficient for working capital purposes.

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.

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

21 Financial instruments, financial and capital risk management (Cont'd)

(c) Financial risk management (Cont'd)

Liquidity risk (Cont'd)

	Carrying amount	Contractual cash flow	Cash flows	
			Less than 1 year	Within 2 to 5 years
	S\$	S\$	S\$	S\$
2019				
Financial assets				
Trade receivables	2,247,601	2,247,601	2,247,601	-
Other receivables	93,411	93,411	93,411	-
Cash and bank balances	4,295,820	4,295,820	4,295,820	-
Total undiscounted financial assets	6,636,832	6,636,832	6,636,832	-
Financial liabilities				
Trade payables and accruals	(1,401,315)	(1,401,315)	(1,401,315)	-
Total undiscounted financial liabilities	(1,401,315)	(1,401,315)	(1,401,315)	-
Total net undiscounted financial assets	5,235,517	5,235,517	5,235,517	-
2018				
Financial assets				
Trade receivables	2,161,132	2,161,132	2,161,132	-
Other receivables	83,770	83,770	83,770	-
Cash and bank balances	2,981,609	2,981,609	2,981,609	-
Total undiscounted financial assets	5,226,511	5,226,511	5,226,511	-
Financial liabilities				
Trade payables and accruals	(1,446,807)	(1,446,807)	(1,446,807)	-
Total undiscounted financial liabilities	(1,446,807)	(1,446,807)	(1,446,807)	-
Total net undiscounted financial assets	3,779,704	3,779,704	3,779,704	-

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 bank), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

21 Financial instruments, financial and capital risk management (Cont'd)

(c) Financial risk management (Cont'd)

Interest rate risk (Cont'd)

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for financial instruments at statements 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 profit before tax for the year ended March 31, 2019 would increase or decrease by about S\$18,500 (2018:S\$9,300) respectively.

Foreign currency risk

The Company transacts its business mainly in Singapore Dollar. However, it also has transactions in few other currencies.

At financial year end, the carrying amounts of monetary assets and liabilities denominated in currencies other than in the functional currency of the Company are disclosed in the respective notes to the financial statements.

Foreign currency sensitivity analysis

Any increase or decrease in the following foreign currencies will have a minimal impact on the financial statements. Increase in the rate of foreign currencies by 10% against the Singapore Dollar will increase/(decrease) the profit before tax by the following amount:

	<u>2019</u>	<u>2018</u>
	S\$	S\$
<i>Increase in the rate of the foreign currencies against Singapore Dollar will increase/(decrease) profit before tax by:</i>		
Euro	-	1,200
Indonesian Rupiah	(2,200)	-
Philippine Peso	800	1,400
United States Dollar	39,000	28,900

A corresponding decrease in the rate of foreign currencies against the Singapore Dollar will have a vice-versa effect on the results 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.

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

2 Significant accounting policies (Cont'd)

k) Revenue recognition (Cont'd)

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.

The Company earns revenue primarily from software development services and products. .

Revenue from fixed price contracts and related customization is recognised in accordance with the percentage completion method calculated based on output method. Provision for estimated losses, if any, on uncompleted contracts are recorded in the year in which such losses become certain based on the current estimates. The contract cost used in computing the revenues include cost of fulfilling warranty obligations, if any.

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.

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.

Advances from customers and deferred revenue ("contract liability") is recognised when there is billings in excess of revenues.

Contracts are subject 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.

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of value added tax, rebates, discounts and sales returns.

The Company recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Company's activities are met as follows:-

Revenue from software development services comprises income from time and material and fixed price contracts. Revenue from time and material contracts are recognised as the services are rendered.

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

2 Significant accounting policies (Cont'd)

k) Revenue recognition (Cont'd)

Revenue from fixed price contract and related customization and implementation is recognised in accordance with the percentage of completion method calculated based on output method. Revenue from annual technical service contracts are recognised ratably over the contract terms beginning on the commencement date of each contract.

l) Other income

The following income are recognised on the following basis:

- (i) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (ii) grant is recognised upon receipt.

m) Employee benefits

Retirement benefit costs

As required by law, the Company makes contributions to the Central Provident Fund (CPF), a defined contribution plan regulated and managed by the Government of Singapore. CPF contributions are recognised as expense in the same year to which the contribution relates.

Employee entitlements to annual leave are recognised when they accrue to the employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by the employees up to the statement of financial position date.

A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

n) Operating lease

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

o) Goods and services tax ("GST")

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

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

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

p) Income tax

Income tax expense represents the sum of tax currently payable and deferred tax.

21 Financial instruments, financial and capital risk management (Cont'd)

(c) Financial risk management (Cont'd)

Credit risk (Cont'd)

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

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

The Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days past the credit due dates, default of interest due for more than 30 days or there is significant difficulty of the counterparty.

Cash at bank are placed with credit worthy financial institutions.

Trade 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. In the management view there is no ECL that is determined necessary for the company.

The Company has a significant exposure of credit risk in relation to one outside party, which amounts to 61% (2018:58%) of the trade debtors. The Company also has an exposure towards trade receivable from its holding company.

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.

Interest rate risk

The Company has no significant exposure to market risk for changes in interest rate as it has no bank borrowings with variable interest rates.

The Company has interest bearing fixed deposits. The interest bearing fixed deposits are short term in nature and with the current interest rate level, any variation in the interest rates will not have a material impact on the net income of the Company.

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

21 Financial instruments, financial and capital risk management (Cont'd)

(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 maximizing the return to shareholders through optimization of the capital.

As part of the management's review of the capital structure, the management considers the cost of capital and the risks associated with each class of capital. The management will balance its overall capital structure through the payment of dividends, new issue of shares, obtaining new loans or repayment of loans.

The management's overall strategy remains unchanged from 2018.

22 New accounting standards and FRS interpretations

At the date of authorisation of these financial statements, the following FRS and INT FRS that are relevant to the Company were issued and not effective:

	Effective from annual periods beginning on or after
FRS 28 (Amendments) : Long-term Interests in Associates and Joint Ventures	January 1, 2019
FRS 109 (Amendments) : Prepayment Features with Negative Compensation	January 1, 2019
FRS 116 : Leases	January 1, 2019
<i>Improvements to FRSs</i>	
Annual Improvements to FRS (March 2018)	January 1, 2019
FRS 12 (Amendments) : Income Taxes	January 1, 2019
FRS 23 (Amendments) : Borrowing Costs	January 1, 2019
FRS 103 (Amendments) : Business Combinations	January 1, 2019
FRS 111 (Amendments) : Joint Arrangements	January 1, 2019
FRS 123 : Uncertainty Over Income Tax Treatments	January 1, 2019

The management anticipates that the adoption of the above FRS and INT FRS does not result in any significant changes to the Company's accounting policies or have any significant impact on the financial statements of the Company.

23 Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors on April 17, 2019.

Nucleus Software Solutions Pte Ltd

Notes to the Financial Statements

For the financial year ended March 31, 2019

8 Cash and bank balances (Cont'd)

(*) For cash flow purposes, cash and cash equivalents do not include fixed deposits with maturity after 3 months.

Fixed deposits are with an original tenure of 3 months to 6 months (2018:3 months to 12 months).

As of year-end, the maturity period is between 3 months to 6 months (2018:3 months to 6 months).

Fixed deposits interest rate is about 0.5% to 1.55% (2018:0.5% to 1.2%) per annum.

The cash and bank balances that are not denominated in Singapore Dollar are as follows:-

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Japanese Yen	24	24
United States Dollar	45,801	61,888

9 Share capital

	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
	No. of shares issued	S\$	No. of shares issued	S\$
Ordinary shares issued and fully paid				
Balance at beginning and end of year	<u>625,000</u>	<u>625,000</u>	<u>625,000</u>	<u>625,000</u>

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

10 Trade payables and accruals

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Trade payables:		
- Outside parties	182,706	95,711
- Holding company	153,512	163,678
- Related company	169,560	213,006
GST payable	167,005	138,167
Accrued expenses	895,537	974,412
	<u>1,568,320</u>	<u>1,584,974</u>

The average credit period on services is 60 days to 90 days (2018:60 days to 90 days).

The trade payables and accruals that are not denominated in Singapore Dollar are as follows:-

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Euro	-	27,812
Indonesian Rupiah	23,975	-
Philippine Peso	1,764	-
United States Dollar	327,041	409,201

Nucleus Software Solutions Pte Ltd

The Accompanying Supplementary Detailed Income

Statement Has Been Prepared For Management Purposes Only

And Does Not Form Part Of The Audited Financial Statements

Nucleus Software Solutions Pte Ltd

Detailed Income Statement

For the financial year ended March 31, 2019

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Revenue		
Disaggregation of revenue:		
- Time and material contracts	1,983,935	2,650,587
- Fixed price contracts	13,479,520	11,625,556
- Annual technical services	135,436	398,437
	<u>15,598,891</u>	<u>14,674,580</u>
Other income		
Interest income from banks	30,922	12,151
Amortisation of interest income on deposits	4,292	12,310
Government grant - temporary employment and other credits	26,022	18,916
	<u>61,236</u>	<u>43,377</u>
Other gains/(losses) - net		
Foreign exchange adjustments:		
- Gains	2,376	-
- Losses	-	(28,948)
	<u>2,376</u>	<u>(28,948)</u>
Consultancy and sub-contract charges	<u>(5,066,510)</u>	<u>(4,714,957)</u>
Salaries and employee benefits		
Salaries and allowances	(7,064,141)	(6,981,122)
CPF contributions (defined)	(248,392)	(235,195)
Director's fees	(54,000)	(54,000)
Skill development levy	(10,212)	(9,747)
Staff welfare	(24,389)	(18,714)
	<u>(7,401,134)</u>	<u>(7,298,778)</u>
Depreciation of plant and equipment	<u>(11,288)</u>	<u>(35,211)</u>
Other operating expenses		
Air-con charges	(23,644)	(23,451)
Amortisation of deferred rent expense	(4,464)	(12,572)
Bank charges	(13,504)	(11,421)
Books and periodicals	-	(421)
Brokerage charges	-	(1,250)
Business promotion and entertainment	(13,236)	(7,829)
Cleaning and maintenance	(16,492)	(18,257)
Computer consumables and peripherals	(20,881)	(13,571)
Conference and seminar	(1,689)	-
Courier and postage	(3,098)	(2,702)
Festival/establishment	(9,196)	(8,154)

..... Cont'd

Nucleus Software Solutions Pte Ltd

Detailed Income Statement

For the financial year ended March 31, 2019

	<u>2019</u>	<u>2018</u>
	S\$	S\$
Other operating expenses (Cont'd)		
Hotel expenses	(6,881)	(847)
Immigration expenses	(23,908)	(9,596)
Insurance	(102,964)	(75,817)
Local conveyance	(51,566)	(28,363)
Membership and subscription	(1,230)	(730)
Office expenses	(1,542)	(2,398)
Operating lease - rental	(332,934)	(335,093)
Printing and stationary	(3,424)	(3,302)
Professional charges	(97,879)	(128,110)
Provision for asset retirement obligation	-	(35,000)
Recruitment and training	(58,081)	(22,796)
Secretarial fees	(960)	(1,360)
Telephone and internet	(94,495)	(126,157)
Trading expenses	(144,294)	(144,974)
Travelling expenses	(155,263)	(179,796)
Water and electricity	(23,587)	(24,096)
	<u>(1,205,212)</u>	<u>(1,218,063)</u>
Profit before income tax	1,978,359	1,422,000
Income tax expense:		
- Current year	(308,500)	(215,390)
- Prior years over provision	(7,053)	95,543
- Deferred tax (expense)/credit	(902)	9,498
- Foreign withholding tax	(8,799)	(19,450)
	<u>1,653,105</u>	<u>1,292,201</u>
Profit after income tax	1,653,105	1,292,201
Other comprehensive income	-	-
Total comprehensive income for the year	<u><u>1,653,105</u></u>	<u><u>1,292,201</u></u>

Not Part Of Audited Financial Statements