



**RSM Chio Lim**

Audit • Tax • Advisory

**NUCLEUS SOFTWARE SOLUTIONS PTE LTD**

(Registration No: 199401311C)

**Directors' Report and Financial Statements**

Year Ended 31 March 2014

**RSM Chio Lim LLP**

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Directors' Report and Financial Statements

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**Directors' Report**

The directors of the company are pleased to present their report together with the audited financial statements of the company for the reporting year ended 31 March 2014.

**1. Directors at Date of Report**

The directors of the company in office at the date of this report are:

Vishnu Rampratap Dusad  
Kapil Kumar Gupta

**2. Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures**

Neither at the end of the reporting year nor at any time during the reporting year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

**3. Directors' Interests in Shares and Debentures**

The directors of the company holding office at the end of the reporting year had no interests in the share capital of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 ("the Act") except as follows:

Name of directors and companies in which interests are held	<u>Direct Interest</u>		<u>Deemed Interest</u>	
	<u>At beginning of the reporting year</u>	<u>At end of the reporting year</u>	<u>At beginning of the reporting year</u>	<u>At end of the reporting year</u>
<u>Nucleus Software Exports Limited (Parent Company)</u>				
Vishnu Rampratap Dusad	3,603,492	1,603,492	11,036,248	13,045,048
- Ordinary shares (par value of Indian Rupees 10 each)				

**4. Contractual Benefits of Directors**

Since the beginning of the reporting year, no director of the company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Act by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest. Certain directors of the company received remuneration from related corporations in their capacity as directors and or executives of those related corporations.

**5. Share Options**

During the reporting year, no option to take up unissued shares of the company was granted.

During the reporting year, there were no shares of the company issued by virtue of the exercise of an option to take up unissued shares.

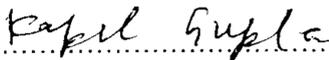
At the end of the reporting year, there were no unissued shares of the company under option.

**6. Independent Auditors**

The independent auditors, RSM Chio Lim LLP, have expressed their willingness to accept re-appointment.



.....  
Vishnu Rampratap Dusad  
Director



.....  
Kapil Kumar Gupta  
Director

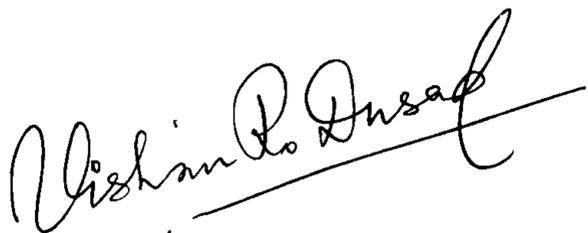
24<sup>th</sup> April 2014

**Statement by Directors**

In the opinion of the directors,

- (a) the accompanying statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company as at 31 March 2014 and of the results, changes in equity and cash flows of the company for the reporting year then ended; 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.

The board of directors approved and authorised these financial statements for issue.



.....  
Vishnu Rampratap Dusad  
Director



.....  
Kapil Kumar Gupta  
Director

24<sup>th</sup> April 2014



**Independent Auditors' Report to the Member of  
NUCLEUS SOFTWARE SOLUTIONS PTE LTD (Registration No: 199401311C)**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Nucleus Software Solutions Pte Ltd, which comprise the statement of financial position as at 31 March 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the reporting year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

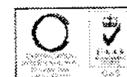
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls 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 statement of profit or loss and other comprehensive income and statement of financial position and to maintain accountability of assets.

**Auditor's Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Independent Auditors' Report to the Member of  
NUCLEUS SOFTWARE SOLUTIONS PTE LTD (Registration No: 199401311C)**

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**Opinion**

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the company as at 31 March 2014 and the results, changes in equity and cash flows of the company for the reporting year ended on that date.

**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.

*RSM Chio Lim LLP*

RSM Chio Lim LLP  
Public Accountants and  
Chartered Accountants  
Singapore

24<sup>th</sup> April 2014

Partner in charge of audit: Derek How Beng Tiong  
Effective from year 31 March 2011

**Statement of Profit or Loss and Other Comprehensive Income  
Year Ended 31 March 2014**

	<u>Notes</u>	<u>2014</u> \$	<u>2013</u> \$
<b>Revenue</b>	4	17,449,382	16,087,310
Cost of Sales		(15,254,764)	(14,140,377)
<b>Gross Profit</b>		2,194,618	1,946,933
<b><u>Other Items of Income</u></b>			
Interest Income	5,	54,003	34,061
Other Credits	6	219,658	5,000
<b><u>Other Items of Expense</u></b>			
Administrative and Operating Expenses	7	(1,152,916)	(970,391)
Other Charges	6	(157,253)	(202,552)
<b>Profit Before Tax from Continuing Operations</b>		1,158,110	813,051
Income Tax Expense	9	(191,278)	(113,603)
<b>Profit from Continuing Operations, Net of Tax</b>		966,832	699,448
<b><u>Other Comprehensive Income:</u></b>			
<b>Other Comprehensive Income for the Year, Net of Tax</b>		-	-
<b>Total Comprehensive Income</b>		966,832	699,448

The accompanying notes form an integral part of these financial statements

Statement of Financial Position  
As at 31 March 2014

	<u>Notes</u>	<u>2014</u> \$	<u>2013</u> \$
<b>ASSETS</b>			
<b><u>Non-Current Assets</u></b>			
Plant and Equipment	10	69,775	75,373
Other Receivables	11	151,200	446,400
Deferred Tax Assets	9	30,760	29,377
<b>Total Non-Current Assets</b>		<u>251,735</u>	<u>551,150</u>
<b><u>Current Assets</u></b>			
Trade and Other Receivables	11	2,494,302	4,009,369
Other Assets	12	712,670	466,612
Cash and Cash Equivalents	13	3,629,715	2,878,234
<b>Total Current Assets</b>		<u>6,836,687</u>	<u>7,354,215</u>
<b>Total Assets</b>		<u>7,088,422</u>	<u>7,905,365</u>
<b>EQUITY AND LIABILITIES</b>			
<b><u>Equity</u></b>			
Share Capital	14	625,000	625,000
Retained Earnings		4,112,398	5,224,566
<b>Total Equity</b>		<u>4,737,398</u>	<u>5,849,566</u>
<b><u>Current Liabilities</u></b>			
Trade and Other Payables	16	1,652,848	1,381,229
Other Liabilities	17	566,574	674,570
Income Tax Payable		131,602	-
<b>Total Current Liabilities</b>		<u>2,351,024</u>	<u>2,055,799</u>
<b>Total Liabilities</b>		<u>2,351,024</u>	<u>2,055,799</u>
<b>Total Equity and Liabilities</b>		<u>7,088,422</u>	<u>7,905,365</u>

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

NUCLEUS SOFTWARE SOLUTIONS PTE LTD (Registration No: 199401311C)

Statement of Changes in Equity  
Year Ended 31 March 2014

	<u>Total Equity</u> \$	<u>Share Capital</u> \$	<u>Retained Earnings</u> \$	<u>Share Option Reserves</u> \$
<b>Current Year:</b>				
Opening Balance at 1 April 2013	5,849,566	625,000	5,224,566	-
<b>Movements in Equity:</b>				
Total Comprehensive Income for the Year	966,832	-	966,832	-
Interim Dividend (Note 18)	(2,079,000)	-	(2,079,000)	-
<b>Closing Balance at 31 March 2014</b>	<u>4,737,398</u>	<u>625,000</u>	<u>4,112,398</u>	<u>-</u>
<b>Previous Year:</b>				
Opening Balance at 1 April 2012	5,150,118	625,000	4,496,888	28,230
<b>Movements in Equity:</b>				
Total Comprehensive Income for the Year	699,448	-	699,448	-
Share-Based Payments (Note 15)	-	-	28,230	(28,230)
<b>Closing Balance at 31 March 2013</b>	<u>5,849,566</u>	<u>625,000</u>	<u>5,224,566</u>	<u>-</u>

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

**Statement of Cash Flows**  
**Year Ended 31 March 2014**

	<u>2014</u>	<u>2013</u>
	\$	\$
<b><u>Cash Flows From Operating Activities</u></b>		
Profit before Tax	1,158,110	813,051
Adjustments for:		
Depreciation of Plant and Equipment	37,208	35,836
Interest Income	(54,003)	(34,061)
Operating Cash Flows before Changes in Working Capital	1,141,315	814,826
Trade and Other Receivables	426,240	1,060,971
Other Assets	(246,058)	584,227
Trade and Other Payables	271,619	(425,187)
Other Liabilities	(107,996)	120,709
Net Cash Flows From Operations	1,485,120	2,155,546
Income Taxes Paid	(61,059)	(142,980)
Net Cash Flows From Operating Activities	<u>1,424,061</u>	<u>2,012,566</u>
<b><u>Cash Flows From Investing Activities</u></b>		
Purchase of Plant and Equipment	(31,610)	(62,358)
Interest Received	54,003	34,061
Amounts Due from Related Companies	1,384,027	(775,569)
Net Cash Flows From (Used in) Investing Activities	<u>1,406,420</u>	<u>(803,866)</u>
<b><u>Cash Flows from Financing Activities</u></b>		
Dividend Paid to Equity Owners	(2,079,000)	-
Net Cash Flows Used in Investing Activities	<u>(2,079,000)</u>	<u>-</u>
<b>Net Increase in Cash and Cash Equivalents</b>	751,481	1,208,700
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	2,878,234	1,669,534
<b>Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance (Note 13)</b>	<u>3,629,715</u>	<u>2,878,234</u>

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

**Notes to the Financial Statements**  
**31 March 2014**

**1. General**

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

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.

The registered office is: 300 Tampines Avenue 5, #04-06 NTUC Income Tampines Junction, Singapore 529653. The company is situated in Singapore.

**2. Summary of Significant Accounting Policies**

**Accounting Convention**

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs need not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS.

**Basis of Preparation of the Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

**2. Summary of Significant Accounting Policies (Cont'd)**

**Revenue Recognition**

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes and rebates. Revenue from software development services comprises income from time and material and fixed price contracts. Revenue from time and material contracts is recognised as the services are rendered. Revenue from fixed price contracts and related customisation and implementation is recognised in accordance with the percentage of 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 current estimates. Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered. Interest is recognised using the effective interest method.

**Employee Benefits**

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

**Share-Based Compensation**

The share option plan of the parent company ("Nucleus Software Exports Limited" or "parent") allows the employees of the company to acquire shares of the parent. The fair value of options granted by the parent over its equity instrument to the employees of the company is recognised as an employee expense with a corresponding increase in equity (i.e. representing capital contributions from the parent). The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. At each balance sheet date, the company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

**Income Tax**

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity.

2. **Summary of Significant Accounting Policies (Cont'd)**

**Income Tax (Cont'd)**

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

**Foreign Currency Transactions**

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

**Plant and Equipment**

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets, less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Computer and software package	–	33%
Furniture and fittings	–	20%
Office equipment	–	20%
Office renovation	–	20%
Electrical equipment	–	20%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

2. **Summary of Significant Accounting Policies (Cont'd)**

**Plant and Equipment (Cont'd)**

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent cost are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

**Leases**

Whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

2. **Summary of Significant Accounting Policies (Cont'd)**

**Impairment of Non-Financial Assets**

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

**Financial Assets**

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: As at end of the reporting year date there were no financial assets classified in this category.

**2. Summary of Significant Accounting Policies (Cont'd)**

**Financial Assets (Cont'd)**

2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.
3. Held-to-maturity financial assets: As at end of the reporting year date there were no financial assets classified in this category.
4. Available for sale financial assets: As at end of the reporting year date there were no financial assets classified in this category.

**Cash and Cash Equivalents**

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

**Financial Liabilities**

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

**2. Summary of Significant Accounting Policies (Cont'd)**

**Financial Liabilities (Cont'd)**

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount determined in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.
2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

**Fair Value Measurement**

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

**2. Summary of Significant Accounting Policies (Cont'd)**

**Fair Value Measurement (Cont'd)**

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

**Equity**

Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

**Provisions**

A liability or provision is recognised when there is 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 a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

2. **Summary of Significant Accounting Policies (Cont'd)**

**Critical Judgements, Assumptions and Estimation Uncertainties**

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

**Allowance for doubtful trade accounts:**

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management generally analyses trade receivables and historical bad debts, customer concentrations, and customer creditworthiness when evaluating the adequacy of the allowance for doubtful trade receivables. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the note on trade and other receivables.

**Useful lives of plant and equipment:**

The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and other factors which could change significantly as a result of innovations and competitor actions in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the class of assets at the end of the reporting year affected by the assumption is \$69,775 (2013: \$75,373).

**Determination of functional currency:**

In determining the functional currencies of the reporting entity judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. The functional currencies of each reporting entity is measured based on management's assessment of the economic environment in which the reporting entity operates and the reporting entity's process of determining sales price.

**3. Related Party Relationships and Transactions**

FRS 24 defines a related party as a person or entity that is related to the reporting entity and it includes (a) A person or a close member of that person's family if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the reporting entity if any of the following conditions apply: (i) The entity and the reporting entity are members of the same group. (ii) One entity is an associate or joint venture of the other entity. (iii) Both entities are joint ventures of the same third party. (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**3.1 Related companies:**

The company is a wholly-owned subsidiary of Nucleus Software Exports Limited, incorporated in India that is also the company's ultimate parent company. Related companies in these financial statements include the members of the parent company's group of companies.

There are transactions and arrangements between the reporting entity and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees no interest or charge is imposed unless stated otherwise.

**Significant related company transactions:**

In addition to transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	<u>Parent company</u>		<u>Related companies</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$	\$	\$	\$
Revenue	(165,395)	(228,225)	(1,688,873)	(2,250,668)
Consultancy charges	1,671,259	1,205,634	4,199,680	4,936,383
Interest income	-	-	(41,359)	(27,135)

**3.2 Key management compensation:**

	<u>2014</u>	<u>2013</u>
	\$	\$
Fees to directors of the company	<u>54,000</u>	<u>54,000</u>

3. **Related Party Relationships and Transactions (Cont'd)**

3.2 Key management compensation: (Cont'd)

Key management personnel are the directors having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The above amounts for key management compensation are for one of the directors. The amounts do not include compensation if any of certain key management personnel and directors of the company who received compensation from related corporations in their capacity as directors and or executives of those related corporations.

3.3 Other receivables from and other payables to related parties:

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

	<u>Parent</u>	
	<u>2014</u>	<u>2013</u>
	\$	\$
<u>Other payables:</u>		
Balance at beginning of the year	(14,738)	(30,412)
Amount paid in and settlement of liabilities on behalf of the company	(219,579)	(179,309)
Amount paid out and settlement of liabilities on behalf of another party	<u>211,824</u>	<u>194,983</u>
Balance at end of the year (Note 16)	<u>(22,493)</u>	<u>(14,738)</u>
	<u>Related companies</u>	
	<u>2014</u>	<u>2013</u>
	\$	\$
<u>Other receivables:</u>		
Balance at beginning of the year	1,536,865	761,296
Amount paid in and settlement of liabilities on behalf of the company	(1,464,002)	(167,296)
Amount paid out and settlement of liabilities on behalf of another party	7,311	-
Foreign exchange adjustment difference	31,305	(14,270)
Loan to a related company	-	930,000
Interest income	<u>41,359</u>	<u>27,135</u>
Balance at end of the year (Note 11)	<u>152,838</u>	<u>1,536,865</u>

4. **Revenue**

	<u>2014</u>	<u>2013</u>
	\$	\$
Consultation fee income	<u>17,449,382</u>	<u>16,087,310</u>

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5. Interest Income

	<u>2014</u>	<u>2013</u>
	\$	\$
Interest income	12,644	6,926
Interest income from related companies (Note 3)	41,359	27,135
	<u>54,003</u>	<u>34,061</u>

6. Other Credits and (Other Charges)

	<u>2014</u>	<u>2013</u>
	\$	\$
Bad debts written off	(157,253)	-
Allowance for impairment on trade receivables – reversal (loss)	196,588	(8,709)
Other income	2,695	5,000
Foreign exchange adjustments gains (losses)	20,375	(193,843)
Net	<u>62,405</u>	<u>(197,552)</u>
Presented in profit or loss as:		
Other Credits	219,658	5,000
Other Charges	(157,253)	(202,552)
Net	<u>62,405</u>	<u>(197,552)</u>

7. Administrative and Operating Expenses

The major components include the following:

	<u>2014</u>	<u>2013</u>
	\$	\$
Rental expense	463,859	491,359
Telephone and internet	140,619	151,994

8. Employee Benefits Expense

	<u>2014</u>	<u>2013</u>
	\$	\$
Employee benefits expense	8,471,822	6,996,407
Contributions to defined contribution plan	307,598	279,882
Other benefits	31,481	18,256
Total employee benefits expense included in cost of sales	<u>8,810,901</u>	<u>7,294,545</u>

9. Income Tax

9A. Components of tax expense recognised in profit or loss include:

	<u>2014</u>	<u>2013</u>
	\$	\$
<u>Current tax expense:</u>		
Current tax expense	131,602	–
Tax paid to foreign tax authority	61,059	142,980
Subtotal	<u>192,661</u>	<u>142,980</u>
<u>Deferred tax expense:</u>		
Deferred tax income	(1,383)	(29,377)
Subtotal	<u>(1,383)</u>	<u>(29,377)</u>
Total income tax expense	<u>191,278</u>	<u>113,603</u>

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2013: 17%) to profit or loss before income tax as a result of the following differences:

	<u>2014</u>	<u>2013</u>
	\$	\$
Profit before tax	<u>1,158,110</u>	<u>813,051</u>
Income tax expense at the above rate	196,879	138,219
Non-deductible items	3,217	436
Prior years' unrecorded tax loss carryforwards utilised	–	(125,662)
Deferred tax assets not recognised	–	(30,640)
Tax paid to foreign tax authority	61,059	142,980
Foreign tax credit	(12,575)	(6,567)
Income tax rebate	(55,925)	(7,417)
Other minor items	(1,377)	2,254
Total income tax expense	<u>191,278</u>	<u>113,603</u>

There are no income tax consequences of dividends to owners of the company.

9B. Deferred tax income recognised in profit or loss includes:

	<u>2014</u>	<u>2013</u>
	\$	\$
Excess of net book value of plant and equipment over tax values	(951)	7,199
Other provisions	(432)	(5,936)
Deferred tax assets not recognised	–	(30,640)
Total deferred income tax income recognised in profit or loss	<u>(1,383)</u>	<u>(29,377)</u>

9C. Deferred tax balance in the statement of financial position:

	<u>2014</u>	<u>2013</u>
	\$	\$
<u>From deferred tax assets recognised in profit or loss:</u>		
Excess of net book value of plant and equipment over tax values	(11,862)	(12,813)
Other provisions	42,622	42,190
Net balance	<u>30,760</u>	<u>29,377</u>

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10. Plant and Equipment

	Computer and software packages \$	Furniture and fittings \$	Electrical equipment \$	Office equipment \$	Office renovation \$	Total \$
<u>Cost:</u>						
At 1 April 2012	1,373,656	169,418	12,388	175,098	287,906	2,018,466
Additions	56,812	-	-	5,546	-	62,358
	(403,134)	-	-	-	-	(403,134)
At 31 March 2013	1,027,334	169,418	12,388	180,644	287,906	1,677,690
Additions	31,610	-	-	-	-	31,610
Disposals	(276,790)	-	-	-	-	(276,790)
At 31 March 2014	782,154	169,418	12,388	180,644	287,906	1,432,510
<u>Accumulated depreciation:</u>						
At 1 April 2012	1,346,298	169,418	12,388	156,170	285,341	1,969,615
Depreciation charge for the year	27,041	-	-	6,230	2,565	35,836
Disposals	(403,134)	-	-	-	-	(403,134)
At 31 March 2013	970,205	169,418	12,388	162,400	287,906	1,602,317
Depreciation charge for the year	31,986	-	-	5,222	-	37,208
Disposals	(276,790)	-	-	-	-	(276,790)
At 31 March 2014	725,401	169,418	12,388	167,622	287,906	1,362,735
<u>Net book value:</u>						
At 1 April 2012	27,358	-	-	18,928	2,565	48,851
At 31 March 2013	57,129	-	-	18,244	-	75,373
At 31 March 2014	56,753	-	-	13,022	-	69,775

The depreciation expense is charged to administrative and operating expenses.

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11. Trade and Other Receivables

	<u>2014</u>	<u>2013</u>
	\$	\$
<u>Trade receivables:</u>		
Outside parties	2,177,422	2,198,228
Less: Allowable for impairment	(21,578)	(218,166)
Parent company (Note 3)	-	92,192
Related company (Note 3)	301,878	829,953
Subtotal	<u>2,457,722</u>	<u>2,902,207</u>
<u>Other receivables:</u>		
Advance to staff	28,382	15,634
Related companies (Note 3)	152,838	1,536,865
Other receivables	6,560	1,063
Subtotal	<u>187,780</u>	<u>1,553,562</u>
Total trade and other receivables	<u>2,645,502</u>	<u>4,455,769</u>
Presented in statement of financial position as follows:		
Current	2,494,302	4,009,369
Non-current portion of loan to a related company	<u>151,200</u>	<u>446,400</u>
Total trade and other receivables	<u>2,645,502</u>	<u>4,455,769</u>
	<u>2014</u>	<u>2013</u>
	\$	\$
<u>Movements in above allowance:</u>		
(Balance at the beginning of the year	218,166	209,457
(Reversal) Charge for trade receivables to profit or loss included in other (charges) credits	<u>(196,588)</u>	<u>8,709</u>
Balance at the end of the year	<u>21,578</u>	<u>218,166</u>

Loan to a related company – The loan of \$152,838 (2013: \$598,881) is at 2% over Libor per year. The range of floating rate interest rates charged was between 2.35% - 2.51% (2013: 2.51% - 2.81%). The loan is repayable in 5 yearly instalments commencing from 31 December 2012. The fair value is not significantly different from the carrying value of the loan.

12. Other Assets

	<u>2014</u>	<u>2013</u>
	\$	\$
Accrued income	339,884	188,845
Deposits	117,710	103,065
Prepayments	167,476	98,001
Deferred expense	87,600	76,701
	<u>712,670</u>	<u>466,612</u>

13. Cash and Cash Equivalents

	<u>2014</u> \$	<u>2013</u> \$
Not restricted in use	<u>3,629,715</u>	<u>2,878,234</u>

The interest earning balances are not significant.

14. Share Capital

	<u>Number of shares issued</u>	<u>Share capital</u> \$
Ordinary shares of no par value:		
Balance at beginning of the year 1 April 2012	<u>625,000</u>	<u>625,000</u>
Balance at end of the year 31 March 2013	<u>625,000</u>	<u>625,000</u>
Balance at end of the year 31 March 2014	<u>625,000</u>	<u>625,000</u>

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

**Capital Management:**

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

There are insignificant external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowing.

**15. Share-Based Payments**

Information regarding the Share Option Plan of the holding company was set out below:

- (i) The parent company had two Employee Stock Option Plan (ESOP) Schemes, ESOP Scheme – 2002 and ESOP Scheme – 2006. These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings
- (ii) The options vest between 1 to 4 years from the grant date. An employee should be in continuous employment for a period of 3 years on the vesting date.
- (iii) The options can be exercised within 2 years of vesting date.

In the reporting year 2013, 2,000 share options\* granted to an employee had expired. The grant date fair values of the options as originally priced of \$28,230 were reversed from capital reserve to retained earnings.

**16. Trade and Other Payables**

	<u>2014</u>	<u>2013</u>
	\$	\$
<u>Trade payables:</u>		
Outside parties and accrued liabilities	1,169,384	852,772
Related company (Note 3)	327,425	406,325
Parent company (Note 3)	133,546	107,394
Subtotal	<u>1,630,355</u>	<u>1,366,491</u>
<u>Other payables:</u>		
Parent company (Note 3)	<u>22,493</u>	<u>14,738</u>
Subtotal	<u>22,493</u>	<u>14,738</u>
Total trade and other payables	<u>1,652,848</u>	<u>1,381,229</u>

**17. Other Liabilities**

	<u>2014</u>	<u>2013</u>
	\$	\$
Advance billings to customers	<u>566,574</u>	<u>674,570</u>

**18. Dividend on Equity Share**

	<u>2014</u>	<u>2013</u>
	\$	\$
Interim exempt (one-tier) dividend paid of \$3.3264 per share	<u>2,079,000</u>	<u>–</u>

**19. Operating Lease Payment Commitments**

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Not later than one year	541,421	304,730
Later than one year and not later than five years	<u>99,250</u>	<u>-</u>
Rental expenses for the year	<u>463,859</u>	<u>491,359</u>

Operating lease payments are for rentals payable for office premises and guest houses.

- (a) The leases in respect of the office premises in Singapore are for 2 years from 1 September 2010 and 8 October 2013 respectively.
- (b) The leases in respect of the guest houses in Singapore are for 1 year. The leases for the various guest houses commenced from 25 February 2013 to 31 March 2013.
- (c) The lease in respect of the office premise in Philippine is for 1 year from 1 January 2014.
- (d) The lease in respect of the office premise in Korea is for 1 year from 19 March 2013.

**20. Financial Instruments: Information on Financial Risks**

**20A. Classification of Financial Assets and Liabilities**

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the reporting year by FRS 39 categories:

	<u>2014</u>	<u>2013</u>
	\$	\$
<u>Financial assets:</u>		
Cash and cash equivalents	3,629,715	2,878,234
Loan and receivables	3,103,096	4,747,679
At end of the year	<u>6,732,811</u>	<u>7,625,913</u>
<u>Financial liabilities:</u>		
Trade and other payables	1,652,848	1,381,229
At end of the year	<u>1,652,848</u>	<u>1,381,229</u>

Further quantitative disclosures are included throughout these financial statements.

There are no significant fair value measurements recognised in the statement of financial position.

**20. Financial Instruments: Information on Financial Risks (Cont'd)**

**20B. Financial Risk Management**

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There is exposure to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. The management has certain practices for the management of financial risks. However, these are not documented in formal written documents. The following guidelines are followed: All financial risk management activities are carried out and monitored by senior management staff. All financial risk management activities are carried out following good market practices.

There has been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

**20C. Fair Values of Financial Instruments**

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

**20D. Credit Risk on Financial Assets**

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial instruments; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any loan payable commitment at the end of the reporting year. Credit risk on cash balances with banks and any derivative financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management.

Note 13 discloses the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 60 to 90 days (2013: 60 to 90 days). But some customers take a longer period to settle the amounts.

20. Financial Instruments: Information on Financial Risks (Cont'd)

20D. Credit Risk on Financial Assets (Cont'd)

(a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting period but not impaired:

	<u>2014</u>	<u>2013</u>
	\$	\$
Less than 60 days	659,592	368,130
61 to 90 days	57,816	499,862
91 to 180 days	44,180	567,642
More than 180 days	21,517	150,095
	<u>783,105</u>	<u>1,585,729</u>

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	<u>2014</u>	<u>2013</u>
	\$	\$
Trade receivables:		
More than 180 days	<u>21,578</u>	<u>218,166</u>

The allowance of \$21,578 (2013: \$218,166) which is disclosed in Note 11 on trade receivables is based on individual accounts that are determined to be impaired at the end of the reporting year. These are not secured.

Other receivables are normally with no fixed terms and therefore there is no maturity.

Concentration of trade receivable customers as at end of reporting year:

	<u>2014</u>	<u>2013</u>
	\$	\$
Top 1 customer	629,540	829,953
Top 2 customers	931,418	1,282,381
Top 3 customers	<u>1,222,478</u>	<u>1,637,375</u>

20E. Liquidity Risk

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

	Less than <u>1 year</u> \$
Non-derivative financial liabilities:	
<u>2014:</u>	
Trade and other payables	<u>1,652,848</u>
<u>2013:</u>	
Trade and other payables	<u>1,381,229</u>

20. Financial Instruments: Information on Financial Risks (Cont'd)

20E. Liquidity Risk (Cont'd)

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 50 days (2013: 50 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

20F. Interest Rate Risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates and it mainly concerns financial liabilities which are both fixed rate and floating rate. The interest from financial assets and liabilities including cash balances is not significant.

20G. Foreign Currency Risks

Analysis of amounts denominated in non-functional currency:

2014	Korean Won \$	Japanese Yen \$	Philippine Peso \$	Euro \$	US Dollar \$	Total \$
<u>Financial assets:</u>						
Trade and other receivables	-	301,878	351	141,150	941,366	1,384,745
Cash and cash equivalents	163,455	465	2,030	-	3,157,195	3,323,145
Total financial assets	<u>163,455</u>	<u>302,343</u>	<u>2,381</u>	<u>141,150</u>	<u>4,098,561</u>	<u>4,707,890</u>
<u>Financial liabilities:</u>						
Trade and other payables	17,686	132,367	2,134	9,264	408,141	569,592
Total financial liabilities	<u>17,686</u>	<u>132,367</u>	<u>2,134</u>	<u>9,264</u>	<u>408,141</u>	<u>569,592</u>
Net financial assets at the end of financial year	<u>145,769</u>	<u>169,976</u>	<u>247</u>	<u>131,886</u>	<u>3,690,420</u>	<u>4,138,298</u>

20. Financial Instruments: Information on Financial Risks (Cont'd)

20G. Foreign Currency Risks (Cont'd)

	Korean Won \$	Japanese Yen \$	Philippine Peso \$	Euro \$	US Dollar \$	Total \$
<u>2013</u>						
<u>Financial assets:</u>						
Trade and other receivables	39,148	829,953	–	15,039	2,717,882	3,602,022
Cash and cash equivalents	<u>145,512</u>	<u>845</u>	<u>11,703</u>	<u>–</u>	<u>1,828,953</u>	<u>1,987,013</u>
Total financial assets	<u>184,660</u>	<u>830,798</u>	<u>11,703</u>	<u>15,039</u>	<u>4,546,835</u>	<u>5,589,035</u>
<u>Financial liabilities:</u>						
Trade and other payables	<u>16,751</u>	<u>174,147</u>	<u>–</u>	<u>10,541</u>	<u>410,421</u>	<u>611,860</u>
Total financial liabilities	<u>16,751</u>	<u>174,147</u>	<u>–</u>	<u>10,541</u>	<u>410,421</u>	<u>611,860</u>
Net financial assets at the end of financial year	<u>167,909</u>	<u>656,651</u>	<u>11,703</u>	<u>4,498</u>	<u>4,136,414</u>	<u>4,977,175</u>

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis:

	<u>2014</u> \$	<u>2013</u> \$
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the US Dollar with all other variables held constant would have an adverse effect on pre-tax profit of	(335,493)	(376,038)
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the Japanese Yen with all other variables held constant would have an adverse effect on pre-tax profit of	(15,452)	(59,696)
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against all other currencies with all other variables held constant would have an adverse effect on pre-tax profit of	<u>(25,264)</u>	<u>(16,737)</u>

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

**21. Changes and Adoption of Financial Reporting Standards**

For the current reporting year the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

<u>FRS No.</u>	<u>Title</u>
FRS 1	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income
FRS 1	Amendment to FRS 1 Presentation of Financial Statements (Annual Improvements)
FRS 16	Amendment to FRS 16 Property, Plant and Equipment (Annual Improvements)
FRS 19	Employee Benefits (Revised)
FRS 32	Amendment to FRS 32 Financial instruments: Presentation (Annual Improvements)
FRS 36	Amendments to FRS 36: Recoverable Amount Disclosures for Non-Financial Assets (relating to goodwill) (early adoption) (*)
FRS 107	Amendments to FRS 32 and 107 titled Offsetting Financial Assets and Financial Liabilities
FRS 113	Fair Value Measurements
INT FRS 120	Stripping Costs in the Production Phase of a Surface Mine (*)

(\*) Not relevant to the entity.

**22. Future Changes in Financial Reporting Standards**

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

<u>FRS No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
FRS 27	Consolidated and Separate Financial Statements (Amendments to) (*)	1 Jul 2013
FRS 27	Separate Financial Statements (Revised) (*)	1 Jan 2014
FRS 28	Investments in Associates and Joint Ventures (Revised) (*)	1 Jan 2014
FRS 39	Amendments to FRS 39: Novation of Derivatives and Continuation of Hedge Accounting (*)	1 Jan 2014
FRS 110	Consolidated Financial Statements (*)	1 Jan 2014
FRS 111	Joint Arrangements (*)	1 Jan 2014
FRS 112	Disclosure of Interests in Other Entities (*)	1 Jan 2014
FRS 110	Amendments to FRS 110, FRS 111 and FRS 112 (*)	1 Jan 2014
INT FRS 121	Levies (*)	1 Jan 2014

(\*) Not relevant to the entity.