

*Directors' Statement and  
Audited Financial Statements*

***Tejas Communication Pte. Ltd.***  
(Co. Reg. No. 200103930Z)

*For the year ended 31 March 2020*

**Tejas Communication Pte. Ltd.**  
(Co. Reg. No. 200103930Z)

**General Information**

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**Directors**

Sanjay Nayak  
Kumar Nellicherry Sivarajan  
Quek Hung Guan

**Secretary**

Lee Siew Jee Jennifer

**Independent Auditor**

Sashi Kala Devi Associates

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## **Directors' Statement**

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The directors are pleased to present their statement to the member together with the audited financial statements of Tejas Communication Pte. Ltd. (the "Company") for the financial year ended 31 March 2020.

### **1. OPINION OF THE DIRECTORS**

In the opinion of the directors,

- (a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial position as at 31 March 2020 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

### **2. DIRECTORS**

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

Sanjay Nayak  
Kumar Nellicherry Sivarajan  
Quek Hung Guan

### **3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES**

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose 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.

### **4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES**

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

<b>Name of directors</b>	<b>Ordinary shares Held in the name of directors</b>	
	<b>At beginning of year</b>	<b>At end of year</b>
<i> Holding company Tejas Networks Limited</i>		
Sanjay Nayak	2,513,991	2,558,991
Kumar Nellicherry Sivarajan	1,384,168	16,26,250

**Directors' Statement – continued**

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

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

**5. OPTIONS TO TAKE UP UNISSUED SHARES**

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

**6. OPTIONS EXERCISED**

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

**7. UNISSUED SHARES UNDER OPTION**

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

**8. INDEPENDENT AUDITOR**

The independent auditor, Sashi Kala Devi Associates has expressed its willingness to accept reappointment as auditor.

On behalf of the board of directors

Sanjay Nayak  
Director

Kumar Nellicherry Sivarajan  
Director

18 April 2020

**Independent Auditor's Report  
to the member of Tejas Communication Pte. Ltd.**  
(Co. Reg. No. 200103930Z)

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**Report on Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of Tejas Communication Pte. Ltd. (the "Company"), which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 March 2020 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

*Basis for Opinion*

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

*Other Information*

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

Our opinion on the financial statements does not cover the other information and we do not 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 Auditor's Report  
to the member of Tejas Communication Pte. Ltd. - continued**  
(Co. Reg. No. 200103930Z)

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*Responsibilities of Management and Directors for the Financial Statements*

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

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

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**Independent Auditor's Report  
to the member of Tejas Communication Pte. Ltd. - continued**  
(Co. Reg. No. 200103930Z)

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

- 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.

Sashi Kala Devi Associates  
Public Accountants and  
Chartered Accountants

Singapore  
18 April 2020

**Tejas Communication Pte. Ltd.**  
(Co. Reg. No. 200103930Z)

**Statement of Financial Position as at 31 March 2020**

	Note	2020 US\$	2019 US\$
<b>Non-current asset</b>			
Investment in a subsidiary	4	32,700	32,700
<b>Current assets</b>			
Trade receivables	5	2,200,371	2,504,973
Other receivables	6	23,584	160,411
Contract asset	7	25,213	–
Amount due from holding company	8	203,245	–
Cash and cash equivalents	9	56,805	70,006
		<u>2,509,218</u>	<u>2,735,390</u>
<b>Current liabilities</b>			
Trade payables		18,404	12,795
Other payables	10	419,477	480,249
Contract liability	11	1,275	124,217
Amount due to holding company		–	84,069
Amount due to a subsidiary	12	29,700	29,700
Tax payable	13	–	1,302
		<u>468,856</u>	<u>732,332</u>
<b>Net current assets</b>		2,040,362	2,003,058
<b>Net assets</b>		<u>2,073,062</u>	<u>2,035,758</u>
<b>Equity attributable to owner of the Company</b>			
Share capital	14	2,056,261	2,056,261
Accumulated profit/(losses)		16,801	(20,503)
<b>Total equity</b>		<u>2,073,062</u>	<u>2,035,758</u>

*The accompanying notes form an integral part of the financial statements.*



**Tejas Communication Pte. Ltd.**  
(Co. Reg. No. 200103930Z)

**Statement of Comprehensive Income for the financial year ended 31 March 2020**

	Note	2020 US\$	2019 US\$
<b>Revenue</b>	15	1,503,397	2,579,907
Cost of revenue		(892,149)	(1,672,501)
Gross profit		611,248	907,406
Other income	16	1,275,158	1,458,539
Distribution costs		(601,609)	(873,810)
Administrative expenses		(1,229,243)	(1,330,399)
Other charges	17	(18,250)	(100,374)
<b>Profit before tax</b>	18	37,304	61,362
Income tax expense	19	–	–
<b>Profit for the year</b>		37,304	61,362
Other comprehensive income		–	–
<b>Total comprehensive income for the year</b>		37,304	61,362

**Statement of Changes in Equity for the financial year ended 31 March 2020**

	Share capital US\$	Accumulated profit/(losses) US\$	Total US\$
Balance at 1 April 2018	2,056,261	(81,865)	1,974,396
Total comprehensive income for the year	–	61,362	61,362
Balance at 31 March 2019	2,056,261	(20,503)	2,035,758
Total comprehensive income for the year	–	37,304	37,304
Balance at 31 March 2020	2,056,261	16,801	2,073,062

*The accompanying notes form an integral part of the financial statements.*

**Tejas Communication Pte. Ltd.**  
(Co. Reg. No. 200103930Z)

**Statement of Cash Flows for the financial year ended 31 March 2020**

	<b>2020</b>	<b>2019</b>
	US\$	US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	37,304	61,362
Adjustment for:		
Allowance for expected credit losses	9,920	10,320
Bad debts written off, non-trade	–	77,045
Unrealised foreign exchange gain	(1,302)	–
<b>Operating income before working capital changes</b>	<u>45,922</u>	<u>148,727</u>
Decrease in trade and other receivables and contract asset	406,296	1,379,326
Decrease in trade and other payables and contract liability	(178,105)	(310,014)
Decrease in amount due from holding company	–	93
Decrease in amount due to holding company	(54,687)	(1,477,203)
<b>Cash generated from/(used in) operations</b>	<u>219,426</u>	<u>(259,071)</u>
Interest received	–	–
<b>Net cash flows from/(used in) operating activities</b>	<u>219,426</u>	<u>(259,071)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Increase)/decrease in amount due from holding company	(232,627)	226,829
<b>Net cash flows (used in)/from financing activities</b>	<u>(232,627)</u>	<u>226,829</u>
Net decrease in cash and cash equivalents	(13,201)	(32,242)
Cash and cash equivalents at beginning of year	70,006	102,248
<b>Cash and cash equivalents at end of year</b>	<u>56,805</u>	<u>70,006</u>

*The accompanying notes form an integral part of the financial statements.*

**Notes to the Financial Statements – 31 March 2020**

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

**1. CORPORATE INFORMATION**

The Company is a private company limited by shares, incorporated and domiciled in Singapore. Its holding company is Tejas Networks Limited, a company incorporated in India.

The registered office and its principal place of the Company is located at 77 Robinson Road #13-00 Robinson 77 Singapore 068896.

The principal activities of the Company are those of designing and selling of networking equipment and software.

The principal activities of the subsidiary are disclosed in Note 4 to the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) ***Basis of preparation***

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

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

The financial statements are presented in United States Dollar (USD or US\$) which is the functional currency of the Company and all values are rounded to the nearest one-dollar unless otherwise stated.

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

The Company applied FRS 116 for the first time. The nature and effect of the changes as a result of the adopting of these new accounting standards are described below:

***FRS 116 Leases***

FRS 116 supersedes FRS 117 Leases, *INT FRS 104 Determining whether an Arrangement contains a Lease*, *INT FRS 15 Operating Leases–Incentives* and *INT FRS 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position. FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (“ROU”) asset representing its right to use.

**Notes to the Financial Statements – 31 March 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(a) *Basis of preparation (continued)*

*FRS 116 Leases (continued)*

The Company applied FRS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated funds at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated - i.e. it is presented, as previously reported, under FRS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in FRS 116 have not generally been applied to comparative information.

(a) As lessee

Prior to the adoption of FRS 116, non-cancellable operating lease payments were not recognised as liabilities in the statement of financial position. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Company's accounting policy on leases after the adoption of FRS 116 is as disclosed in Note 2 (l).

On initial application of FRS 116, the Company has elected to apply the following practical expedients:

- (i) For all contracts entered into before 1 February 2019 and that were previously identified as leases under FRS 17 Lease and FRS INT 4 Determining whether an Arrangement contains a Leases, the Company has not reassessed if such contracts contain leases under FRS 116; and
- (ii) On a lease-by-lease basis, the Company has:
  - (a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
  - (b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
  - (c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 February 2019 as short-term leases;
  - (d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
  - (e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 April 2019.

The adoption of FRS 116 does not identify significant impact on the Company's financial positions. As such, the Company has elected not to recognise the impact of adoption of FRS 116 on the financial statements.

**Notes to the Financial Statements – 31 March 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(a) *Basis of preparation (continued)*

*Standards issued but not yet effective*

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

	Effective date (Annual periods beginning on or after)
Amendments to FRS 103: Definition of Business	1 January 2020
Amendments to FRS 1 and FRS 8: Definition of Material	1 January 2020
Amendments to FRS 109, FRS 39 and FRS 107: Interest Rate Benchmark Reform	1 January 2020
Amendments to References to the Conceptual Framework in FRS Standards, illustrative examples, implementation guidance and FRS Practice Statements	1 January 2020
Revised Conceptual Framework	1 January 2020

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

*Consolidated Financial Statements*

The financial statements of the subsidiary have not been consolidated with the Company's financial statements as the Company is a wholly-owned subsidiary of Tejas Networks Limited, a company incorporated in India, which prepares consolidated financial statements on a worldwide basis. Such financial statements are publicly available.

The registered address of Tejas Networks Limited is Plot No. 25, JP Software Park, Hosur Road, Phase 1, Electronic City, Bangalore – 560100.

Investment in a subsidiary in the financial statements of the Company is stated at cost, less any impairment in recoverable value.

(b) *Functional and foreign currency*

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

*Foreign currency transactions*

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

**Notes to the Financial Statements – 31 March 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(b) ***Functional and foreign currency (continued)***

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

(c) ***Subsidiary***

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

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

(d) ***Financial instruments***

(i) ***Financial assets***

***Initial recognition and measurement***

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

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

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

***Subsequent measurement***

***Investments in debt instruments***

Subsequent measurement of debt instruments depends on the business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

▪ ***Amortised cost***

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

**Notes to the Financial Statements – 31 March 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(d) *Financial instruments (continued)*

(i) *Financial assets (continued)*

*Subsequent measurement (continued)*

*Investments in debt instruments (continued)*

▪ *Fair value through other comprehensive income (FVOCI)*

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

▪ *Fair value through profit or loss*

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

*Investments in equity instruments*

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

***De-recognition***

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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.

**Notes to the Financial Statements – 31 March 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(d) *Financial instruments (continued)*

(ii) *Financial liabilities*

*Initial recognition and measurement*

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

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

*Subsequent measurement*

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

*De-recognition*

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

(iii) *Offsetting of financial instruments*

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

(e) *Contract balances*

*Contract assets*

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

*Contract liabilities*

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



**Notes to the Financial Statements – 31 March 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(f) *Impairment of financial assets*

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

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

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

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

*Credit-impaired financial assets*

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

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

**Notes to the Financial Statements – 31 March 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) *Impairment of financial assets (continued)***

*Write-off*

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

**(g) *Impairment of non-financial assets***

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

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

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

**(h) *Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank.

**(i) *Trade and other payables***

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

**(j) *Provisions***

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

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

**Notes to the Financial Statements – 31 March 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(k) ***Employee benefits***

(i) ***Defined contribution plans***

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

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

(ii) ***Employee leave entitlement***

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

(l) ***Leases***

At the inception of the contract, the Company assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

– The accounting policy for leases from 1 April 2019

(i) ***As lessee***

▪ ***Right-of-use assets***

The Company recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

**Notes to the Financial Statements – 31 March 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) Leases (continued)**

– The accounting policy for leases from 1 April 2019 (continued)

**(i) As lessee (continued)**

▪ *Lease liabilities*

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Company shall use its incremental borrowing rate.

Lease payments include the following:

- fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantees
- the exercise price of a purchase option that the Company is reasonably certain to exercise the option; and
- payment of penalties for early termination of the lease, unless the Company is reasonably certain not to terminate early.

For contract that contain both lease and non-lease components, the Company allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Company has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- there is a change in future lease payments arising from changes in an index or rate;
- there are changes in the Company's assessment of whether it will exercise an extension option; or
- there are modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**Notes to the Financial Statements – 31 March 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(l) *Leases (continued)*

– The accounting policy for leases from 1 April 2019 (continued)

(i) *As lessee (continued)*

▪ *Short term and low value leases*

The Company has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

(ii) *As lessor*

The accounting policy applicable to the Company as a lessor in the comparative period were the same under FRS 116.

– The accounting policy for leases before 1 April 2020

*As lessee*

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

(m) *Revenue*

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

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

(i) *Sale of goods*

The Company engages in designing and selling of networking equipment and software.

Revenue is recognised at a point in time when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

**Notes to the Financial Statements – 31 March 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(m) **Revenue (continued)**

(i) *Sale of goods (continued)*

The amount of revenue recognised is based on agreed transaction price. Based on the Company's experience with similar types of contracts, there have been no returns or volume discounts granted to their customers.

(ii) *Rendering of services*

The Company recognises service income over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. The output is determined by customer acceptance of the services.

(iii) *Reimbursement of expenses*

Reimbursement of expenses is recognised as income at the point in time when the expenses have been made and the Company's right to receive the payment has been established.

(n) **Share capital**

*Ordinary shares*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

*Preference share capital*

Preference shares are equity instrument only if it is non-redeemable or are redeemable at the discretion of the issuer, and the distributions to preference shareholders are at the discretion of the issuer.

(o) **Taxes**

(i) *Current income tax*

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

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

**Notes to the Financial Statements – 31 March 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(o) *Taxes (continued)*

(ii) *Deferred tax*

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

Deferred tax liabilities are recognised for all temporary differences.

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

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

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

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

(iii) *Goods and services tax*

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

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

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

**Notes to the Financial Statements – 31 March 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(p) *Related parties***

A related party is defined as follows:

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

**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

▪ ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.



**Notes to the Financial Statements – 31 March 2020**

**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

▪ ***Key sources of estimation uncertainty (continued)***

*Impairment of loans and receivables*

The Company assesses at the end of each reporting period whether an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts is required.

The 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 carrying amount of the Company's loans and receivable at the end of each reporting period is disclosed in Note 5 to the financial statements.

▪ ***Judgement made in applying accounting policies***

There were no material judgements made by management in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

**4. INVESTMENT IN A SUBSIDIARY**

	<b>2020</b>	<b>2019</b>
	US\$	US\$
Unquoted equity shares, at cost	<u>32,700</u>	<u>32,700</u>

The details of the subsidiary as at 31 March are as follows:

Name and principal activities	Country of incorporation	Cost of investments		Proportion of ownership interest	
		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		US\$	US\$	%	%
Tejas Communications (Nigeria) Limited* (Designing and selling of networking equipment and software)	Nigeria	<u>32,700</u>	<u>32,700</u>	<u>100</u>	<u>100</u>

\*Audited by other firm

**Notes to the Financial Statements – 31 March 2020**

**5. TRADE RECEIVABLES**

	<b>2020</b> US\$	<b>2019</b> US\$
Trade receivables	2,963,953	3,258,635
Less: Allowance for expected credit losses	<u>(763,582)</u>	<u>(753,662)</u>
	<u>2,200,371</u>	<u>2,504,973</u>

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represents their fair values on initial recognition.

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

Receivables that are impaired

The table below shows the movements in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach:

	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
	US\$	US\$
Balance as at 1 April 2018	743,342	743,342
Allowance of expected credit losses	<u>10,320</u>	<u>10,320</u>
Balance as at 31 March 2019	753,662	753,662
Allowance of expected credit losses	<u>9,920</u>	<u>9,920</u>
Balance as at 31 March 2020	<u>763,582</u>	<u>763,582</u>

The Company uses an allowance matrix to measure the ECLs of trade receivables from individual customers.

The following table provides information about the exposure to credit risk and ECLs for trade receivables for individual customers as at 31 March 2020 and 2019:

	<b>Expected credit loss rate</b> %	<b>Gross carrying amount</b> US\$	<b>Impairment loss allowance</b> US \$	<b>Credit impaired</b>
<b>2020</b>				
1 to 30 days past due	–	84,000	–	No
More than 90 days past due	27	<u>2,879,953</u>	<u>763,582</u>	Yes
		<u>2,963,953</u>	<u>763,582</u>	

**Notes to the Financial Statements – 31 March 2020**

**5. TRADE RECEIVABLES (continued)**

	<b>Expected credit loss rate %</b>	<b>Gross carrying amount US\$</b>	<b>Impairment loss allowance US \$</b>	<b>Credit impaired</b>
<b>2019</b>				
Current and not past due	–	277,000	–	No
1 to 30 days past due	–	18,202	–	No
31 to 60 days past due	–	16,992	–	No
61 to 90 days past due	–	163,400	–	No
More than 90 days past due	31	2,783,041	753,662	Yes
		<u>3,258,635</u>	<u>753,662</u>	

**6. OTHER RECEIVABLES**

	<b>2020 US\$</b>	<b>2019 US\$</b>
Advance billings from suppliers	288	72,407
Deposits	2,328	3,323
GST receivable	86	421
Loans and advances	16,517	28,730
Prepaid expenses	4,365	55,530
	<u>23,584</u>	<u>160,411</u>

Loans and advances are unsecured, interest-free, repayable upon demand and are to be settled in cash.

**7. CONTRACT ASSET**

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

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

**8. AMOUNT DUE FROM/(TO) HOLDING COMPANY**

Due from, trade	58,874	58,874
Due from, non-trade	1,120,839	888,212
Due to, trade	<u>(976,468)</u>	<u>(1,031,155)</u>
	<u>203,245</u>	<u>(84,069)</u>

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

**Notes to the Financial Statements – 31 March 2020**

**9. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents denominated in foreign currencies as at 31 March are as follows:

	<b>2020</b>	<b>2019</b>
	US\$	US\$
Malaysian Ringgit	7,522	3,510
Singapore Dollar	1,889	3,257
South African Rand	21,593	–
	<u>21,593</u>	<u>–</u>

**10. OTHER PAYABLES**

Accrued liabilities	80,523	48,432
Accrued salaries and related costs	140,654	218,017
Commission payable	198,300	213,800
	<u>419,477</u>	<u>480,249</u>

**11. CONTRACT LIABILITY**

A contract liability relates to the advance billing to customer for the services to be provided at a later date. The revenue relating to the services is recognised when the performance obligation is satisfied.

**12. AMOUNT DUE TO A SUBSIDIARY**

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

**13. TAX PAYABLE**

Balance at beginning of year	1,302	1,302
Unrealised foreign exchange gain credited to statement of comprehensive income	(1,302)	–
Balance at end of year	<u>–</u>	<u>1,302</u>

**14. SHARE CAPITAL**

	<b>2020</b>		<b>2019</b>	
	Number of shares	US\$	Number of shares	US\$
Issued and fully paid:				
Ordinary shares	1,464,340	1,060,663	1,464,340	1,060,663
Preference shares	1,368,400	995,598	1,368,400	995,598
Total	<u>2,832,740</u>	<u>2,056,261</u>	<u>2,832,740</u>	<u>2,056,261</u>

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

The holder of the preference shares has equal voting rights as ordinary shareholders.

**Notes to the Financial Statements – 31 March 2020**

**14. SHARE CAPITAL (continued)**

The terms and conditions of the preference shares are summarised as follows:

- (i) The preference shareholder is entitled to cumulative right of dividend at a fix rate of 0.01% (S\$0.0001 per share) throughout the life of the Company. If the Company does not have sufficient profits in a particular year to meet the dividend payments, the deficit will be made up in the later years.
- (ii) The preference shareholder has the right to receive notice of any general meeting of the Company and to attend, speak and vote at any such general meeting either in person or by proxy.
- (iii) The Company may at any time apply any profit or money of the Company which may be lawfully applied for the purpose in the redemption of the said Preference Shares at the price paid on the share at the time of issue with all arrears of dividend thereof up to the date of redemption. This power of redemption may be exercised by the Board of Directors acting on behalf of the Company upon the giving of seven clear days' written notice of the proposed redemption to the holder(s) of such Preference Shares.
- (iv) Except with the consent of the holders of such Redeemable Preference Shares, no further shares shall be issued by the Company ranking in priority to or pari passu with the above mentioned Redeemable Preference Shares nor shall the capital of the Company be reduced nor the rights and privileges of the holders of such shares be altered without such consent.

**15. REVENUE**

	<b>2020</b>	<b>2019</b>
	US\$	US\$
Sale of goods	1,298,300	2,018,981
Service income	205,097	560,926
	<u>1,503,397</u>	<u>2,579,907</u>
<i>Timing of revenue recognition:</i>		
At a point in time	1,298,300	2,018,981
Over time	205,097	560,926
	<u>1,503,397</u>	<u>2,579,907</u>

The Company's amount of unsatisfied performance obligation as at 31 March 2020 is US\$1,275 (2019: US\$124,217).

**16. OTHER INCOME**

Reimbursement of expenses	<u>1,275,158</u>	<u>1,458,539</u>
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**17. OTHER CHARGES**

Allowance for expected credit losses	9,920	10,320
Bad debts written off, non-trade	–	77,045
Foreign exchange adjustments, loss	8,330	13,009
	<u>18,250</u>	<u>100,374</u>

**Notes to the Financial Statements – 31 March 2020**

**18. PROFIT BEFORE TAX**

The profit before tax is arrived at after charging:

	<b>2020</b>	<b>2019</b>
	US\$	US\$
Legal and professional fee	298,426	228,431
Purchases	892,149	1,672,501
Sales commission	564,006	830,355
	<u>                    </u>	<u>                    </u>

**19. INCOME TAX EXPENSE**

(i) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 March 2020 and 2019 are:

Statement of comprehensive income:

- Current year	<u>                    -</u>	<u>                    -</u>
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(ii) *Relationship between tax expense and accounting profit*

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 March 2020 and 2019 are as follows:

Profit before tax	<u>          37,304          </u>	<u>          61,362          </u>
Tax expense on profit before tax at 17%	6,342	10,432
Adjustment:		
Utilisation of deferred tax assets previously not recognized	<u>          (6,342)          </u>	<u>          (10,432)          </u>
	<u>                    -</u>	<u>                    -</u>

**20. DEFERRED TAXATION**

Deferred tax asset:		
Tax losses carried forward	<u>          22,800          </u>	<u>          39,580          </u>
Total deferred tax asset	22,800	39,580
Deferred tax asset on temporary differences not recognised	<u>          (22,800)          </u>	<u>          (39,580)          </u>
Balance	<u>                    -</u>	<u>                    -</u>

The Company has unabsorbed tax losses of approximately US\$141,000 (2019: US\$172,000) that are available for offset against future taxable profits of the Company in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement with the Income Tax Authorities.

**Notes to the Financial Statements – 31 March 2020**

**21. EMPLOYEE BENEFITS**

	<b>2020</b>	<b>2019</b>
	US\$	US\$
Central Provident Fund contributions	12,691	16,530
Salaries and bonuses	642,007	833,596
	<u>654,698</u>	<u>850,126</u>

**22. OPERATING LEASE COMMITMENTS**

*As lessee*

The Company has entered into commercial leases mainly on office premises. These leases have an average tenure of 2 years with no renewal option or contingent rent provision included in the contracts. There is no restriction placed upon the Company by entering into these leases.

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

Not later than one year	9,482	10,000
Two to five years	–	3,333
	<u>9,482</u>	<u>13,333</u>

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 March 2020 amounted to US\$15,815 (2019: US\$10,734).

**23. RELATED PARTY DISCLOSURES**

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

*Significant related party transactions*

*Holding company*

Purchases of goods from	892,149	1,672,501
Reimbursement of expenses from	1,275,158	1,458,539
	<u>1,275,158</u>	<u>1,458,539</u>

Some of the employees of the Company are entitled to a remuneration given in the form of Restricted Stock Units (RSU) and stock option of its holding company, Tejas Networks Limited at fair value. These RSU and ESOP are subject to a vesting schedule and tied to vesting conditions according to the respective plans. The cost borne by the holding company is US\$46,607 (2019: US\$56,109). These plans are assessed, managed and administered by the holding company.

## **24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

### **(i) Foreign currency risk**

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

The Company has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency.

The foreign currencies in which these transactions are denominated are mainly Singapore Dollar (SGD) and Malaysian Ringgit (MYR). The Company also holds cash denominated in foreign currencies for working capital purposes.

However, the Company does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

As at the end of the reporting period, the Company's foreign currency risk exposures are insignificant. Accordingly, foreign currency risk sensitivity analysis is not prepared.

### **(ii) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other receivables. Guidelines on credit terms provided to trade customers are established and continually monitored. For other financial assets (including cash and cash equivalents), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

Credit policies with guidelines on credit terms and limits set the basis for risk control. New customers are subject to credit evaluation while the Company continues to monitor existing customers, especially those with repayment issues. In addition, appropriate allowances are made for probable losses when necessary for identified debtors.

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



**Notes to the Financial Statements – 31 March 2020**

**24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(ii) *Credit risk (continued)*

In order to minimise credit risk, the Company has developed and maintain the group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

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

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

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount US\$	Loss allowance US\$	Net carrying amount US\$
<b>2020</b>						
Trade receivables	5	(a)	Lifetime ECL (simplified approach)	2,963,953	(763,582)	2,200,371
Other receivables	6	Performing	12-month ECL	18,931	–	18,931
Contract asset	7	Performing	12-month ECL	25,213	–	25,213
Amount due from holding company	8	Performing	12-month ECL	203,245	–	203,245
					<u>(763,582)</u>	

**Notes to the Financial Statements – 31 March 2020**

**24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(ii) *Credit risk (continued)*

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount US\$	Loss allowance US\$	Net carrying amount US\$
<b>2019</b>						
Trade receivables	5	(a)	Lifetime ECL (simplified approach)	3,258,635	(753,662)	2,504,973
Other receivables	6	Performing	12-month ECL	32,474	<u>–</u> <u>(753,662)</u>	32,474

- (a) For trade receivables, 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 provisional matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current condition and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix.

▪ ***Exposure to credit risk***

As at the end of the reporting period, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

▪ ***Credit risk concentration profile***

As at the end of the reporting period, there were no significant concentrations of credit risk to the Company's many various customers.

It is the Company's policy to sell to a diversity of credit worthy customers so as to reduce concentration of credit risk.

▪ ***Financial assets that are neither past due nor impaired***

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Company. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

▪ ***Financial assets that are either past due or impaired***

Information regarding financial assets that are either past due or impaired is disclosed in Note 5 (Trade receivables).

**Notes to the Financial Statements – 31 March 2020**

**24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(iii) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from possible mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of standby credit facilities.

*Analysis of financial instruments by remaining contractual maturities*

The maturity profile of the Company's financial assets and financial liabilities at the end of reporting period based on contractual undiscounted repayment obligations are within one year.

**25. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES**

The following table summarises the carrying amounts of financial assets and liabilities recorded as at the end of the reporting period by FRS 109 categories:

	<b>2020</b> US\$	<b>2019</b> US\$
<i>Financial assets at amortised cost</i>		
Trade receivables	2,200,371	2,504,973
Other receivables	18,931	32,474
Contract asset	25,213	–
Amount due from holding company	203,245	–
Cash and cash equivalents	56,805	70,006
	<u>2,504,565</u>	<u>2,607,453</u>
<i>Financial liabilities at amortised cost</i>		
Trade payables	18,404	12,795
Other payables	419,477	480,249
Contract liability	1,275	124,217
Amount due to holding company	–	84,069
Amount due to a subsidiary	29,700	29,700
	<u>468,856</u>	<u>731,030</u>

**26. FAIR VALUE OF ASSETS AND LIABILITIES**

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

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

**Notes to the Financial Statements – 31 March 2020**

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**26. FAIR VALUE OF ASSETS AND LIABILITIES (continued)**

It is not practicable to determine, with sufficient reliability without incurring excessive costs, the fair value of amounts receivable from/payable to related companies due to the absence of agreed repayment terms between the parties involved.

The Company does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

As at the end of the reporting period, the Company does not have any other financial instruments carried at fair value.

**27. CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern and to maintain the Company at a net current asset position by means of funding and financial support from the holding company, in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2020 and 2019.

The Company is not subjected to externally imposed capital requirements.

**28. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

On 11 March 2020, the World Health Organisation declared the 2019 Novel Coronavirus ("Covid-19") outbreak a pandemic. The spread of Covid-19 has created a high level of uncertainty to the near-term global economic prospects and caused disruptions to various businesses including government decree to shut down non-essential operation. The Company is taking precautionary measures to deal with the Covid-19 outbreak in accordance with guidelines provided by the Government.

As the situation relating to the spread remains dynamic, it is currently not possible to ascertain the full financial impact it may have on the financial performance of the Company for the next financial reporting period.

The Company is closely monitoring the development of the COVID-19 outbreak and its related impact on the businesses. As at the date of the authorisation of the financial statements, the Company is not aware of any material effects on the financial statements arising from the COVID-19 outbreak.

**29. AUTHORISATION OF FINANCIAL STATEMENTS**

The financial statements for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors on 18 April 2020.

**The accompanying Supplementary Income Statement  
has been prepared for management purposes only and  
does not form part of the audited financial statements.**

**Tejas Communication Pte. Ltd.**

**Supplementary Income Statement for the financial year ended 31 March 2020**

	<b>Schedule</b>	<b>2020</b> US\$	<b>2019</b> US\$
<b>Revenue</b>	A	1,503,397	2,579,907
Cost of revenue		(892,149)	(1,672,501)
Gross profit		611,248	907,406
Other income	B	1,275,158	1,458,539
Distribution cost	C	(601,609)	(873,810)
Administrative expenses	D	(1,229,243)	(1,330,399)
Other charge		(18,250)	(100,374)
<b>Profit before tax</b>		<b>37,304</b>	<b>61,362</b>

		<b>Schedule A</b>
<b>Revenue</b>		
Sale of goods	1,298,300	2,018,981
Service income	205,097	560,926
	<u>1,503,397</u>	<u>2,579,907</u>

		<b>Schedule B</b>
<b>Other income</b>		
Reimbursement of expenses	1,275,158	1,458,539
	<u>1,275,158</u>	<u>1,458,539</u>

		<b>Schedule C</b>
<b>Distribution cost</b>		
Freight outwards	–	1,163
Public relations	13,453	19,714
Sales commission	564,006	830,355
Sales expense	–	1,834
Trade shows	24,150	20,744
	<u>601,609</u>	<u>873,810</u>

**Tejas Communication Pte. Ltd.****Supplementary Income Statement for the financial year ended 31 March 2020**

	<b>2020</b> US\$	<b>2019</b> US\$
		<b>Schedule D</b>
<b>Administrative expenses</b>		
Auditors' remuneration	11,729	10,161
Bank charges	21,188	17,538
Business promotion	33,381	46,031
Conveyance	31,233	26,520
Certification fee	–	6,148
Employee related expenses	90,374	17,413
General	5,691	1,177
Insurance	398	3,375
Equipment hire	4,065	–
Legal and professional	298,426	228,431
Office maintenance	48	162
Postage and courier	749	1,641
Printing and stationery	1,698	2,476
Rates and taxes	1,255	676
Rental of office premises	15,815	10,734
Salaries and related expenses	654,698	850,126
Subscription and membership	35	–
Tax fee	6,022	2,562
Telecommunication	10,420	11,127
Travelling	42,018	94,101
	<u>1,229,243</u>	<u>1,330,399</u>
		<b>Schedule E</b>
<b>Other charges</b>		
Allowance for expected credit losses	9,920	10,320
Bad debts written off, non-trade	–	77,045
Foreign exchange adjustments, loss	8,330	13,009
	<u>18,250</u>	<u>100,374</u>

NOT PART OF THE FINANCIAL STATEMENTS.