TWELVE CUPCAKES PTE. LTD.

(Company Registration No. 201110956E)

Financial Statements For The Year Ended March 31, 2023

Twelve Cupcakes Pte. Ltd.

(Incorporated in the Republic of Singapore)

Directors

Mayank Beriwala
Atul Kumar Dhanuka
Ramasamy Jayapal
Basudeb Sen

Secretary

Song Ho Kheong

Registered Office

5 Burn Road
#02-01 Tee Yih Jia Food Building
Singapore 369972

Auditors

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

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The directors present this statement to the members together with the audited financial statements of the Company for the financial year ended March 31, 2023.

1 Directors

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

Mayank Beriwala
Atul Kumar Dhanuka
Ramasamy Jayapal
Basudeb Sen

2 Arrangements to enable directors to acquire shares and debentures

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

3 Directors' interest in shares and debentures

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

4 Share options

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares of the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

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

5 Auditors

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

6 Directors' opinion

In the opinion of the directors,

(a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at March 31, 2023 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, 1967 and Financial Reporting Standards in Singapore; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors

Mayank Beriwala *Atul Kumar Dhanuka*

Date: May 12, 2023

NATARAJAN & SWAMINATHAN
CHARTERED ACCOUNTANTS OF SINGAPORE

1 NORTH BRIDGE ROAD, #19-04/05,
HIGH STREET CENTRE,
SINGAPORE 179094
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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF TWELVE CUPCAKES PTE. LTD.
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2023
(Incorporated in the Republic of Singapore)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **TWELVE CUPCAKES PTE. LTD.** (the "Company"), which comprise the statement of financial position of the Company as at March 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act, 1967 (the "Act") and Financial Reporting Standards in Singapore (FRS) so as to give a true and fair view of the financial position of the Company as at March 31, 2023 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSA). Our responsibilities under those standards are further described in the *Auditors' 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to **Note 5** and **Note 6** to the financial statements. The subsidiary has incurred losses for the year and has net negative tangible asset value of S$125,000 as of March 31, 2023. As discussed in the notes, the management does not consider any impairment in investment in subsidiary and advance for investment is necessary based on its future projections of cash flow of this entity. We wish to emphasise that the recoverability of the investment is dependent on the achievement of the several factors anticipated and planned for by the management. The actual outcome may differ due to factors that may not be in control of the management.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement set out on pages 1 to 2.

Other Information *(Cont'd)*

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.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

Natarajan & Swaminathan
Public Accountants and Chartered Accountants Singapore

Date: May 12, 2023

Twelve Cupcakes Pte. Ltd.

Statement of Financial Position *As at March 31, 2023*

	Note	2023	2022
		S$	S$
Assets			
Non-current assets			
Plant and equipment	4	5,046,389	5,723,934
Investment in subsidiary	5	703,847	282,908
Advance for investment	6	340,409	-
Deferred tax assets	7	92,200	145,800
Other receivables	9	703,295	712,098
Total non-current assets		6,886,140	6,864,740
Current assets			
Inventories		97,814	91,786
Trade receivables	8	23,767	20,977
Other receivables	9	363,178	454,809
Advance for purchases		42,979	55,649
Prepayments		85,614	77,484
Income tax receivables		58,909	-
Cash and short-term deposits	10	1,008,002	1,583,646
Total current assets		1,680,263	2,284,351
Total assets		**8,566,403**	**9,149,091**
Equity and liabilities			
Equity			
Share capital	11	5,965,000	5,965,000
Accumulated losses		(1,910,527)	(1,446,909)
Amalgamation reserve	12	(1,366,875)	(1,366,875)
Other reserve		500,000	5,753
Total equity		3,187,598	3,156,969
Non-current liabilities			
Provision	13	545,000	590,000
Borrowings	14	1,803,927	2,113,067
Total non-current liabilities		2,348,927	2,703,067
Current liabilities			
Trade payables and accruals	15	643,985	599,958
Other payables	16	244,175	168,439
Borrowings	14	2,141,718	2,520,658
Total current liabilities		3,029,878	3,289,055
Total liabilities		5,378,805	5,992,122
Total equity and liabilities		**8,566,403**	**9,149,091**

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

	Note	2023	2022
		S$	S$
Revenue	17	12,742,472	14,458,374
Other income	18	172,975	882,158
Raw materials and consumables used		(3,373,528)	(3,369,362)
Salaries and employee benefits	19	(3,793,946)	(3,880,893)
Depreciation of plant and equipment	4	(3,227,231)	(3,728,627)
Other operating expenses		(2,825,571)	(3,089,617)
Finance cost	20	(105,189)	(137,058)
(Loss)/Profit before income tax	21	(410,018)	1,134,975
Income tax expense	22	(53,600)	145,800
(Loss)/Profit after income tax		(463,618)	1,280,775
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		**(463,618)**	**1,280,775**

	Note	Share capital	Accumulated losses	Amalgamation reserve	Other reserve	Total
		S$	S$	S$	S$	S$
Balance as at 01.04.2021		**5,965,000**	**(2,727,684)**	**(1,366,875)**	**5,753**	**1,876,194**
Total comprehensive income for the year		-	1,280,775	-	-	1,280,775
Balance as at 31.03.2022		**5,965,000**	**(1,446,909)**	**(1,366,875)**	**5,753**	**3,156,969**
Total comprehensive loss for the year		-	(463,618)	-	-	(463,618)
Exercise of convertible debenture	14	-	-	-	494,247	494,247
Balance as at 31.03.2023		**5,965,000**	**(1,910,527)**	**(1,366,875)**	**500,000**	**3,187,598**

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

Twelve Cupcakes Pte. Ltd.

Statement of Cash Flows *For the financial year ended March 31, 2023*

	2023	2022
	S$	S$
Cash flows from operating activities		
(Loss)/Profit before income tax	(410,018)	1,134,975
Adjustments for:		
Depreciation of plant and equipment	3,227,231	3,728,627
Bad debts - trade	-	12,799
Write off of other receivables	11,751	-
Write off of plant and equipment	65,876	1,250
Interest income	(10,436)	(1,100)
Interest expense	105,189	137,058
Operating profit before working capital changes	2,989,593	5,013,609
Inventories	(6,028)	10,836
Trade receivables	(2,790)	(14,507)
Other receivables and prepayments	80,552	(138,026)
Advance for purchases	12,670	7,004
Trade payables and accruals	44,027	(100,792)
Other payables	59,730	(55,800)
Provision utilised	(75,500)	(60,000)
Cash generated from operating activities	3,102,254	4,662,324
Income tax paid	(58,909)	-
Net cash from operating activities	3,043,345	4,662,324
Cash flows from investing activities		
Purchase of plant and equipment	(221,954)	(813,836)
Investment in subsidiary	(761,348)	(282,908)
Interest received	10,436	1,100
Net cash used in investing activities	(972,866)	(1,095,644)
Cash flows from financing activities		
Interest paid	(95,982)	(165,088)
Proceeds from deposits	500,000	-
Repayment from borrowings	-	(500,000)
Payment of principal portion of lease liabilities	(2,550,141)	(2,752,342)
Net cash used in financing activities	(2,146,123)	(3,417,430)
Net (decrease)/increase in cash and cash equivalents	(75,644)	149,250
Cash and cash equivalents brought forward	1,083,646	934,396
Cash and cash equivalents carried forward	**1,008,002**	**1,083,646**
Cash and cash equivalents comprise:		
Cash at banks	483,463	817,387
Cash in hand	17,769	16,259
Short term deposits	506,770	250,000
	1,008,002	**1,083,646**

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

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

1 Corporate information

The Company (Registration No. 201110956E) is a limited liability Company incorporated and domiciled in Singapore.

The registered office and principal place of business is at 5 Burn Road, #02-01 Tee Yih Jia Food Building, Singapore 369972.

The principal activities of the Company are to manufacture and retail of bread, cakes and confectionery.

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

Holding company

The Company is a subsidiary of **"Dhunseri Ventures Limited"**, a listed company incorporated in India, which is also its ultimate holding company.

Subsidiary

Refer **Note 5** to the financial statements for the subsidiary and its principal activities.

2 Going concern

As of statement of financial position date, the current liabilities exceeded its current assets by S$1,349,615 (2022:S$1,004,704). The Company have noted the current liabilities exceeded the current assets mainly due to lease payable arising from FRS 116 Leases standard adoption. The corresponding asset is recognised as non-current asset as right-of-use assets. As such, the directors are of the view there is no going concern issue, and the Company is able to meet its obligation as and when it falls due.

3 Significant accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standards in Singapore ("FRS") as required by the Singapore Companies Act, 1967. These financial statements are the separate financial statements of **Twelve Cupcakes Pte. Ltd.** The Company is exempted from the preparation of consolidated financial statements as the Company's holding company **Dhunseri Ventures Limited**, a company incorporated in the Republic of India, will prepare consolidated financial statements available for public use.

The registered office of Dhunseri Ventures Limited is as follow:

Dhunseri House, 4a
Woodburn Park,
Kolkata 700020, India

The financial statements are expressed in Singapore Dollar (S$) and are prepared under the historical cost convention except as disclosed in the accounting policies below.

3 Significant accounting policies *(Cont'd)*

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

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. These estimates and assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances (refer **Note 3(b)** to the financial statements).

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

FRS 16	(Amendments)	:	Proceeds before intended to use
FRS 37	(Amendments)	:	Onerous Contracts - Cost of Fulfilling a Contract
FRS 103	(Amendments)	:	Reference to the Conceptual Framework
FRS 116	(Amendments)	:	Covid-19 Related Rent Concessions beyond June 30, 2021

Improvements to FRSs

Annual Improvements to FRSs 2018 - 2020

FRS 101	(Amendments)	:	First-Time Adoption of Financial Reporting Standards
FRS 109	(Amendments)	:	Financial Instruments
FRS 116	(Amendments)	:	Leases

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

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

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

Key sources of estimation uncertainty

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

Investment in subsidiary

Investment in subsidiary is stated at cost less impairment loss, if any. In determining if there is any impairment, the management evaluates the market and economic environment in which the entities operates, the economic performance, the forecasted results, the net assets values, and the operating cash flow of these entities. The evaluation of these factors involves a significant degree of management judgment.

3 Significant accounting policies *(Cont'd)*

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

Depreciation

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

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

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

c) Foreign currency transactions

(i) Functional currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the respective functional currencies using the exchange rates prevailing at the dates of transactions. Foreign currency monetary assets and liabilities are translated into the respective functional currencies at the exchange rates prevailing at the statements of financial position date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of foreign currency denominated assets and liabilities are recognised in the profit or loss.

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

3 Significant accounting policies *(Cont'd)*

d) **Property, plant and equipment**

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

e) **Depreciation of property, plant and equipment**

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

Restaurant equipment	-	5 years
Motor vehicles	-	3 years
Renovation	-	1 to 3 years (over the lease term)
Right-to-use assets	-	Over lease period

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

f) **Investment in subsidiary**

Subsidiary is investee that are controlled by the Company. The Company 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.

Investments in the subsidiary is carried at cost less accumulated impairment losses, if any. On disposal of investment in subsidiary, the differences between disposal proceeds and the carrying amounts of the investment are recognised in the profit or loss.

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

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

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

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

3 Significant accounting policies *(Cont'd)*

g) **Impairment of non-financial assets** *(Cont'd)*

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

h) **Inventories**

Inventories comprise mainly raw materials and consumables used for the manufacturing and retail of bread, cakes and confectionery. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of realisation. Provision is made where necessary for obsolete, damaged, slow moving and defective inventories.

i) **Financial instruments**

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

(i) **Financial assets**

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

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

3 Significant accounting policies *(Cont'd)*

i) **Financial instruments** *(Cont'd)*

(i) **Financial assets** *(Cont'd)*

Initial recognition and measurement (Cont'd)

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

Subsequent measurement

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

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

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

Financial assets at amortised cost

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company's financial assets at amortised cost includes trade receivables, other receivables and cash and short-term deposits.

Derecognition

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

3 Significant accounting policies *(Cont'd)*

i) Financial instruments *(Cont'd)*

(i) Financial assets *(Cont'd)*

Derecognition (Cont'd)

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

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

Impairment of financial assets

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

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

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

The Company makes judgmental assessment for financial asset in default when contractual payments are past due. The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3 Significant accounting policies *(Cont'd)*

i) **Financial instruments** *(Cont'd)*

(ii) **Financial liabilities**

Initial recognition and measurement

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

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

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

Subsequent measurement

The measurement of financial liabilities depends on their classification.

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

Derecognition

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

j) **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at bank and cash in hand and unpledged short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of change in value.

k) **Related parties**

A related parties are defined as follows:

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

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or its holding Company.

3 Significant accounting policies *(Cont'd)*

k) Related parties *(Cont'd)*

(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 (for an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of the third entity and the other entity is an associate of the third party;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(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); and

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or its holding company.

l) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre- tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

m) Revenue recognition

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

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.

3 Significant accounting policies *(Cont'd)*

m) **Revenue recognition** *(Cont'd)*

The Company manufacture and sells varieties of confectionery cakes and cupcakes and also beverages. Revenue is recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied. No volume discount is given by the Company nor are goods sold with a right of return. The amount of revenue recognised is based on the transaction price, which comprises the contractual price less any discounts given.

n) **Other income**

The other income are recognised on the following basis:

Government grants

Government grants are recognised upon receipt basis.

Interest income

Interest income is recognised on an accrual basis.

o) **Employee benefits**

Retirement benefit costs

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

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

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

Key management personnel

Directors and certain managers that have the authority and responsibility for planning, directing and controlling the activities of the Company are considered key management personnel.

p) **Finance costs**

Interest expense and similar charges are expensed in the profit or loss in the year in which they are incurred. The interest component of finance lease payments is recognised in the profit or loss using the effective interest rate method.

q) **Goods and services tax**

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales 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 sales tax included.

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

3 Significant accounting policies *(Cont'd)*

r) Leases

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

As lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

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

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in **Note 3(g)**.

The Company's right-of-use assets are presented within plant and equipment **(Note 4)**.

Lease liabilities

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3 Significant accounting policies *(Cont'd)*

r) **Leases** *(Cont'd)*

Lease liabilities (Cont'd)

The Company's lease liabilities are presented within borrowings (**Note 14**).

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

s) **Income tax**

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

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

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

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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

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

4 Plant and equipment

2023	Restaurant equipment	Motor vehicles	Renovation	Right-to-use assets	Total
	S$	S$	S$	S$	S$
Cost					
At April 1, 2022	2,394,167	86,000	3,678,893	7,321,713	13,480,773
Additions	106,259	-	146,195	2,443,607	2,696,061
Written off	-	-	(375,591)	(2,261,052)	(2,636,643)
At March 31, 2023	2,500,426	86,000	3,449,497	7,504,268	13,540,191
Depreciation					
At April 1, 2022	1,069,183	86,000	3,323,681	3,277,975	7,756,839
Charge for the year	448,416	-	243,358	2,535,457	3,227,231
Written off	-	-	(309,715)	(2,180,553)	(2,490,268)
At March 31, 2023	1,517,599	86,000	3,257,324	3,632,879	8,493,802
Net book value					
At March 31, 2023	**982,827**	**-**	**192,173**	**3,871,389**	**5,046,389**

2022	Restaurant equipment	Motor vehicles	Renovation	Right-to-use assets	Total
	S$	S$	S$	S$	S$
Cost					
At April 1, 2021	1,774,261	86,000	3,758,712	7,874,255	13,493,228
Additions	619,906	-	228,930	3,371,653	4,220,489
Written off	-	-	(308,749)	(3,924,195)	(4,232,944)
At March 31, 2022	2,394,167	86,000	3,678,893	7,321,713	13,480,773
Depreciation					
At April 1, 2021	706,203	86,000	3,004,508	4,445,898	8,242,609
Charge for the year	362,980	-	626,672	2,738,975	3,728,627
Written off	-	-	(307,499)	(3,906,898)	(4,214,397)
At March 31, 2022	1,069,183	86,000	3,323,681	3,277,975	7,756,839
Net book value					
At March 31, 2022	**1,324,984**	**-**	**355,212**	**4,043,738**	**5,723,934**

5 Investment in subsidiary

	2023	2022
	S$	S$
Unquoted equity shares, at cost	**703,847**	**282,908**

5 Investment in subsidiary *(Cont'd)*

Details of the subsidiary is as follows:-

Name of subsidiary	Country of incorporation/ place of business	Principal activities	Percentage of equity held		Cost	
			2023	2022	2023	2022
			%	%	S$	S$
DVL USA INC.	United States of America	Engage in design, development, manufacture, marketing, distribution and sale of confectionary products	51	51	703,847	282,908

The subsidiary is not audited as audit is not mandatory in the country of incorporation.

The subsidiary has incurred losses for the year and has net negative tangible asset value of S$125,000 as of March 31, 2023. The management does not consider any impairment in investment in subsidiary and advance for investment is necessary based on its future projections of cash flow of this entity. The ability of the subsidiary to commence its full operations and generate adequate profits is dependent on many factors such as availability of adequate finance and appropriate locations for outlets. The management is confident of the subsidiary's ability to succeed in its commencement of operations and its profitability given the management expertise and resources. The actual outcome may differ due to factors that may not be in control of the management.

6 Advance for investment

The Company advanced S$340,409 to its subsidiary for future capitalisation (refer **Note 5** for details on investment).

7 Deferred tax assets

	Approved donation	Differences in depreciation	Unutilised capital allowances	Provision for reinstatement cost	Total
	S$	S$	S$	S$	S$
At April 1, 2021	-	-	-	-	-
Credited/(charged) to profit or loss	4,800	(80,000)	132,000	89,000	145,800
At March 31, 2022	4,800	(80,000)	132,000	89,000	145,800
Credited/(charged) to profit or loss	-	(29,400)	(21,200)	(3,000)	(53,600)
At March 31, 2023	4,800	(109,400)	110,800	86,000	92,200

8 Trade receivables

	2023	2022
	S$	S$
Outside parties	23,767	20,977

The average credit period is 30 days (2022:30 days). No interest is charged on the trade receivables.

8 Trade receivables *(Cont'd)*

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

	2023	2022
	S$	S$
Not past due	21,813	16,324
Past due 1 to 30 days	118	807
Past due 31 to 60 days	452	3,158
Past due more than 60 days	1,384	688
	23,767	**20,977**

The Company has not made any allowance on all these receivables as the management is of the view that all the receivables are recoverable.

9 Other receivables

	2023	2022
	S$	S$
Non-current:		
Deposits	703,295	712,098
Current:		
Sundry receivables	1,906	13,598
Staff advances	4,000	10,600
Shareholder	36,387	15,865
Holding company	-	11,588
Related party	-	18,499
Deposits	320,885	384,659
	363,178	454,809
	1,066,473	**1,166,907**

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

10 Cash and short-term deposits

	2023	2022
	S$	S$
Cash at bank	483,463	817,387
Cash in hand	17,769	16,259
Short-term deposits	506,770	750,000
	1,008,002	**1,583,646**

Short-term deposits have an original tenure range from 2 months to 3 months (2022: 1 month to 6 months, and as of year end has a maturity of about 13 days to 45 days (2022: 18 days to 133 days). Interest on short-term deposits range from 2.77% to 2.86% (2022: 0.28% to 0.31%) per annum.

11 Share capital

	2023 No. of shares issued	2023 S$	2022 No. of shares issued	2022 S$
Ordinary shares issued and fully paid				
Balance at beginning and end of year	**5,965,000**	**5,965,000**	**5,965,000**	**5,965,000**

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

12 Amalgamation reserve

In prior year, on December 25, 2019, pursuant to a special resolution passed by the shareholders, the Company was amalgamated with its immediate holding company, Global Foods Pte. Ltd. The amalgamation was effective from December 30, 2019.

The manner of amalgamation was as follows:

- The Company was to amalgamate with Global Foods Pte. Ltd. under its existing name "Twelve Cupcakes Pte. Ltd."
- The share capital of the Company as of the date of the amalgamation of S$4,515,000, which comprised 3,198,040 ordinary shares was cancelled without any payment or any other consideration.
- The share capital of Global Foods Pte. Ltd. as of the date of the amalgamation of S$5,965,000, which comprised 5,965,000 ordinary shares was cancelled without any payment or any other consideration.
- The shareholders of Global Foods Pte. Ltd. as of the date of amalgamation, was allotted the same number of 5,965,000 ordinary shares in the same proportion of shareholding in the amalgamated company, i.e. the Company.

Pursuant to the amalgamation, the Company has recognised an amalgamation reserve (deficit) of S$1,366,875, that represents the sum of the difference between the cost of investment of S$5,665,000 by Global Foods Pte. Ltd. in the Company, and the share capital of the Company of S$4,515,000; and the accumulated loss of Global Foods Pte. Ltd. of S$216,875 as of the date of amalgamation.

13 Provision

	2023 S$	2022 S$
Provision for reinstatement cost:		
At beginning of year	590,000	615,000
Addition during the year	30,500	35,000
Utilised	(70,800)	(45,000)
Reversal	(4,700)	(15,000)
At end of year	**545,000**	**590,000**

Provision is based on the present value of costs to be incurred to reinstate leasehold units to its original state. The estimate is based on quotations from external contractors. The unexpired terms range from 1 to 3 years.

14 Borrowings

	2023	2022
	S$	S$
Non-current:		
Convertible debenture (unsecured) at fair value	-	501,046
Lease liabilities (secured)	3,945,645	4,132,679
	3,945,645	4,633,725
Less: Current portion of convertible debenture	-	(310,642)
Less: Current portion of lease liabilities	(2,141,718)	(2,210,016)
	1,803,927	**2,113,067**
Current:		
Current portion of convertible debenture	-	310,642
Current portion of lease liabilities	2,141,718	2,210,016
	2,141,718	**2,520,658**
The amount due after 1 year is repayable as follows:		
Within 2 to 5 years	**1,803,927**	**2,113,067**

(#) The net proceeds received from the issue of the convertible debentures have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Company, as follows:

	2023	2022
	S$	S$
Nominal value of convertible debentures issued	500,000	500,000
Equity component of compound instruments	(5,753)	(5,753)
Liability component at date of issue	494,247	494,247
Interest charged	82,436	67,476
Interest payable/paid to date	(76,683)	(60,677)
Exercise of convertible debenture	(500,000)	-
Liability component at year end	**-**	**501,046**

On March 27, 2018 and April 2, 2018, the Company had issued optional convertible debentures of S$310,000 to a director of the Company (now shareholder) and S$190,000 to a director of the holding company respectively with interest rates of 1.75% plus SIBOR per annum. The debenture is redeemable at par value after an expiry of five years or earlier at the option of the Company. Alternatively, the debentures shall be convertible into equity shares in the Company at the option of the debenture holder at any time after and expiry of five years from the issue of date. The fair value of the debentures was computed at a discount rate of 4.05% per annum.

During the financial year, upon maturity of the debentures, the debenture holders has exercised their rights to convert them into equity shares. The issuance of the shares for the debenture is pending valuation of the Company and subject to approval from relevant authorities.

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

			Non-cash changes			
	Beginning of year	**Cash flows**	**Addition**	**Accretion of interest**	**Others**	**At end of year**
	S$	S$	S$	S$	S$	S$
2023						
Convertible debenture	501,046	-	-	9,207	(510,253)	-
Lease liabilities	4,132,679	(2,646,123)	2,443,607	95,982	(80,500)	3,945,645
	4,633,725	**(2,646,123)**	**2,443,607**	**105,189**	**(590,753)**	**3,945,645**

14 Borrowings *(Cont'd)*

	Beginning of year	Cash flows	Non-cash changes: Addition	Non-cash changes: Accretion of interest	Non-cash changes: Others	At end of year
	S$	S$	S$	S$	S$	S$
2022						
Convertible debenture	494,008	-	-	19,842	(12,804)	501,046
Lease liabilities	3,530,664	(2,866,123)	3,371,653	113,781	(17,296)	4,132,679
Short-term loan	500,000	(503,435)	-	3,435	-	-
	4,524,672	**(3,369,558)**	**3,371,653**	**137,058**	**(30,100)**	**4,633,725**

15 Trade payables and accruals

	2023	2022
	S$	S$
Trade payables	314,426	257,979
GST payable	84,349	85,768
Accrued expenses	245,210	256,211
	643,985	**599,958**

The average credit period on goods purchased is 30 days to 45days (2022:30 days to 45 days). No interest is charged on the trade payables.

16 Other payables

	2023	2022
	S$	S$
Sundry payables	215,365	155,635
Interest payable on debentures	28,810	12,804
	244,175	**168,439**

17 Revenue

	2023	2022
	S$	S$
Type of revenue:		
Sale of goods	**12,742,472**	**14,458,374**
Timing of revenue recognition:		
At a point in time	**12,742,472**	**14,458,374**

There is no variable consideration recognised during the financial year.

18 Other income

	2023	2022
	S$	S$
Government grants:-		
- Job support scheme	-	58,862
- Rental support scheme	-	498,786
- Jobs growth incentive	13,527	103,643
- Other grants	123,248	96,141
Rent and property tax rebates	18,312	101,133
Interest income	10,436	1,100
Miscellaneous income	7,452	22,493
	172,975	**882,158**

19 Salaries and employee benefits

(i) Salaries and employee benefits for the financial years ended March 31;

	2023	2022
	S$	S$
Staff salaries	3,256,143	3,347,955
CPF contributions (defined)	306,595	356,965
Directors' fee	6,000	5,550
Skill development Levy	7,925	7,502
Foreign worker levy	185,987	97,929
Foreign workers' permits	3,171	1,025
Staff welfare	25,625	63,112
Staff training	2,500	855
	3,793,946	**3,880,893**

Compensation of directors and key management personnel

The key management personnel comprise directors who do not receive any short-term employee benefits during the financial year.

(ii) *Phantom Options*

During the financial year, on April 1, 2022, the Directors of the Company approved the Twelve Cupcakes Pte Limited's Phantom Option Plan 2022. The maximum number of Phantom Options that may be granted under the Plan shall not exceed, at any time, 5% of the total issued capital of the Company. The Plan is applicable to any employee of the Company or the Group.

The fair market value of the Phantom Options is arrived by an average revenue of the Company over past 2 years from the date of vesting divided by total ordinary shares of the Company including awarded phantom shares and multiplied by the number of phantom shares.

Under this plan, the Company had granted 20,877 Phantom Options in April 2022. The vesting period of the Options shall be on the date of completion of a period of 36 months of continuous employment with the Company from the Grant Date.

19 Salaries and employee benefits *(Cont'd)*

(ii) *Phantom Options (Cont'd)*

The Vested Options may be exercised in one or more tranches within a one year period from the Vesting Date and they are cash settled with no option to convert or exchange for equity shares. In case of termination of employment, all unvested options shall be considered lapse.

As of year end, none of the options granted has vested. The Options will vest on April 1, 2025. The value of the options to be expensed for the period is estimated at S$15,811 and it is not accounted in the profit or loss of the Company. Management is of the opinion that the estimated amount is subject to revision and since quantum is immaterial, no provision is made.

20 Finance costs

	2023	2022
	S$	S$
Interest on lease liabilities	95,982	113,781
Loan interest from bank and holding company	-	3,435
Convertible debenture interest	9,207	19,842
	105,189	**137,058**

21 (Loss)/Profit before income tax

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

	2023	2022
	S$	S$
Cost of inventories included in raw materials and consumables	2,623,297	2,930,346
Bad debts - trade	-	12,799
Commission and charges for online vendors	786,138	1,216,420
Legal and professional fees (*)	129,325	197,976
Manpower outsourced	114,048	208,668
Operating lease:		
- Outlet rent		
- Fixed (short-term lease)	201,137	152,762
- Contingent	110,990	63,878
Storage rental	32,322	40,943
Lease pre-termination charges	27,875	3,899
Write off of other receivables	11,751	-
Write off of plant and equipment	65,876	1,250

(*) Includes consultancy fees paid to a director of S$24,000 (2022:S$24,000).

22 Income tax expense

	2023	2022
	S$	S$
Current year	-	-
Deferred tax	53,600	(145,800)
Income tax expense/(credit) for the year	**53,600**	**(145,800)**

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

	2023	2022
	S$	S$
(Loss)/Profit before income tax	**(410,018)**	**1,134,975**
Tax (benefit)/expense at tax rate of 17%	(69,703)	192,946
Non-taxable income	-	(112,419)
Non-deductible items	29,786	31,135
Deferred tax:		
- Current year (over)/under provision	(2,927)	78
- Prior year under/(over) provision	96,444	(257,540)
Income tax expense/(credit) for the year	**53,600**	**(145,800)**

As at end of the financial year, the Company has the following unutilised tax losses and capital allowances, available for set off against future taxable income subject to compliance with the relevant Income Tax Acts, and agreement by the relevant tax authorities.

	2023	2022
	S$	S$
Unutilised donations	28,358	28,358
Unutilised tax losses and capital allowances	651,729	210,304
	680,087	**238,662**

23 Related party transactions

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

23 Related party transactions *(Cont'd)*

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

	2023	2022
	S$	S$
Director		
Consultancy fees paid	24,000	24,000

24 Commitments

(a) Lease commitments - as lessee (short term)

The Company leases certain premises under non-cancellable operating lease agreements. These lease have a tenure of 1 year.

The future minimum rental payable under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are as follows:

	2023	2022
	S$	S$
Rental expense		
Within 1 year	87,041	95,161

(b) Capital commitments

Amount contracted for but not provided for in the financial statements:

	2023	2022
	S$	S$
Rental expense		
Purchase of plant and equipment	26,488	46,800

25 Financial instruments, financial and capital risk management

(a) Categories of financial instruments

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

	2023	2022
	S$	S$
Financial assets		
Amortised cost:		
- Trade receivables	23,767	20,977
- Other receivables	1,066,473	1,166,907
- Cash and short-term deposits	1,008,002	1,583,646
Total financial assets	**2,098,242**	**2,771,530**
Financial liabilities		
Amortised cost:		
- Trade payables and accruals *(excluding GST)*	559,636	514,190
- Other payables	244,175	168,439
- Borrowings	3,945,645	4,633,725
Total financial liabilities	**4,749,456**	**5,316,354**

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

(b) Fair value measurements

Fair value hierarchy

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

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

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

There are no financial assets measured at fair value.

Assets and liabilities not measured at fair value

(i) *Trade receivables and trade payables*
The carrying amounts of these receivables and payables approximate their fair values as they are subject to normal trade credit terms.

(ii) *Other receivables, cash and short-term deposits and other payable*
The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

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

(c) Financial risk management

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

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

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

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

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

(c) Financial risk management *(Cont'd)*

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's current liabilities have exceeded the current assets. However, the Company is not exposed to significant liquidity risk, as discussed in **Note 2** to the financial statements.

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

	Carrying amount	Cash flows Contractual cash flow	Less than 1 year	Within 2 to 5 years
	S$	S$	S$	S$
2023				
Financial assets				
Trade receivables	23,767	23,767	23,767	-
Other receivables	1,066,473	1,066,473	363,178	703,295
Cash and short-term deposits	1,008,002	1,008,002	1,008,002	-
Total undiscounted financial assets	2,098,242	2,098,242	1,394,947	703,295
Financial liabilities				
Trade payables and accruals	(559,636)	(559,636)	(559,636)	-
Other payables	(244,175)	(244,175)	(244,175)	-
Borrowings	(3,945,645)	(4,043,345)	(2,209,975)	(1,833,370)
Total undiscounted financial liabilities	(4,749,456)	(4,847,156)	(3,013,786)	(1,833,370)
Total net undiscounted financial liabilities	**(2,651,214)**	**(2,748,914)**	**(1,618,839)**	**(1,130,075)**
2022				
Financial assets				
Trade receivables	20,977	20,977	20,977	-
Other receivables	1,166,907	1,166,907	454,809	712,098
Cash and short-term deposits	1,583,646	1,583,646	1,583,646	-
Total undiscounted financial assets	2,771,530	2,771,530	2,059,432	712,098
Financial liabilities				
Trade payables and accruals	(514,190)	(514,190)	(514,190)	-
Other payables	(168,439)	(168,439)	(168,439)	-
Borrowings	(4,633,725)	(4,750,606)	(2,608,460)	(2,142,146)
Total undiscounted financial liabilities	(5,316,354)	(5,433,235)	(3,291,089)	(2,142,146)
Total net undiscounted financial liabilities	**(2,544,824)**	**(2,661,705)**	**(1,231,657)**	**(1,430,048)**

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

(c) Financial risk management *(Cont'd)*

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash at bank), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

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

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

The Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received or there is significant difficulty of the counterparty.

Cash at banks are placed with credit worthy financial institutions.

Trade and other receivables

The Company assessed the historical credit loss expense based on past due status, default in payments, trend of transactions, information of counterparties in the industry, the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using simplified ECL and lifetime ECL for trade receivables and determined that the ECL is insignificant.

The Company has no significant concentration of credit risk in relation to any external trade receivables. Further details of credit risks on trade receivables are disclosed in **Note 8** to the financial statements.

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

Interest rate risk

The Company's exposure to market risk for changes in interest rate relates to the Company's long term debt obligations. It is the Company's policy to obtain the most favourable interest rates available whenever the Company obtains additional financing through bank or internal borrowings. The interest rates and terms of maturity and repayment of borrowings of the Company are disclosed in **Note 14** to the financial statements.

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

(c) Financial risk management *(Cont'd)*

Interest rate risk (Cont'd)

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

Interest rate sensitivity

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

If interest rates had been 50 basis points higher or lower and all other variables been constant, the Companies profit before tax for the year would increase or decrease by S$3,000 (2022: increase or decrease by S$3,000) respectively.

Foreign currency risk

The Company has no significant exposure to foreign currency risk.

Price risk

The Company has no significant exposure to price risk.

(d) Capital risk management

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

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

The management's overall strategy remains unchanged from 2022.

26 New accounting standards and FRS interpretations

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

			Effective from annual periods beginning on or after
FRS 1/ FRS Practice Statement 2	(Amendments)	: Disclosure of Accounting Policies	January 1, 2023

26 New accounting standards and FRS interpretations *(Cont'd)*

				Effective from annual periods beginning on or after
FRS 1	(Amendments)	:	Classification of Liabilities as Current or Non-current	January 1, 2024
FRS 1	(Amendments)	:	Non-current liabilities with Covenants	January 1, 2024
FRS 8	(Amendments)	:	Definition of Accounting Estimates	January 1, 2023
FRS 12/FRS 101	(Amendments)	:	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
FRS 116	(Amendments)	:	Lease liability in a sale and leaseback	January 1, 2024

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

27 Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors on May 12, 2023.

Twelve Cupcakes Pte. Ltd.

The Accompanying Supplementary Detailed Income Statement

Has Been Prepared For Management Purposes Only

And Does Not Form Part Of The Audited Financial Statements

Twelve Cupcakes Pte. Ltd.

Detailed Income Statement *For the financial year ended March 31, 2023*

	2023	2022
	S$	S$
Revenue		
Sale of goods	12,742,472	14,458,374
Other income		
Government grants:-		
- Job support scheme	-	58,862
- Rental support scheme	-	498,786
- Jobs growth incentive	13,527	103,643
- Other grants	123,248	96,141
Rent and property tax rebates	18,312	101,133
Interest income	10,436	1,100
Miscellaneous income	7,452	22,493
	172,975	882,158
Raw materials and consumables used		
Inventories at beginning of year	(91,786)	(102,622)
Baking supplies or ingredients	(2,384,623)	(2,486,513)
Packaging	(244,702)	(432,997)
Beverages	(154,171)	(18,516)
General supplies	(178,471)	(53,098)
Baking and kitchen equipment	(26,087)	(34,618)
Delivery and transportation	(138,913)	(139,077)
Transport expenses	(116,463)	(61,548)
Upkeep of motor vehicles	(136,126)	(132,159)
	(3,471,342)	(3,461,148)
Less: Inventories at end of year	97,814	91,786
	(3,373,528)	(3,369,362)
Salaries and employee benefits		
Staff salaries	(3,256,143)	(3,347,955)
CPF contributions (defined)	(306,595)	(356,965)
Directors' fee	(6,000)	(5,550)
Skill development Levy	(7,925)	(7,502)
Foreign worker levy	(185,987)	(97,929)
Foreign workers' permits	(3,171)	(1,025)
Staff welfare	(25,625)	(63,112)
Staff training	(2,500)	(855)
	(3,793,946)	(3,880,893)
Depreciation of plant and equipment	(3,227,231)	(3,728,627)
Other operating expenses		
Advertising and marketing	(135,975)	(86,050)
Administrative fees	(107)	(1,000)
Bad debts - trade	-	(12,799)
Commission and charges for online vendors	(786,138)	(1,216,420)
Dues and subscriptions	(1,176)	(1,176)
Insurance	(64,020)	(77,072)
Laundry and cleaning	(76,940)	(69,614)
Penalties	(32,998)	(10,404)

... Cont'd

Twelve Cupcakes Pte. Ltd.

Detailed Income Statement

For the financial year ended March 31, 2023

	2023	2022
	S$	S$
Other operating expenses *(Cont'd)*		
Manpower outsourced	(114,048)	(208,668)
Miscellaneous expense	(1,665)	(929)
Medical expenses	(2,750)	484
Other fees	(3,570)	(24,607)
Postage	-	(3,231)
Stationery and office supplies	(10,374)	(23,762)
Outlet supplies	(18,309)	(24,323)
Travel and entertainment	(405)	(5,846)
Trademark	(729)	(9,747)
Legal and professional fees	(129,325)	(197,976)
Registration and licensing fee	(5,641)	(8,043)
Stamp duty	(9,719)	(14,868)
Utilities	(414,688)	(280,191)
Telecom and Internet	(84,786)	(96,272)
Bank and credit card charges	(180,463)	(170,622)
Repairs and maintenance	(270,697)	(242,328)
Recruitment expenses	(31,097)	(41,421)
Operating lease:-		
- Outlet rent		
- Fixed (short-term lease)	(201,137)	(152,762)
- Contingent	(110,990)	(63,878)
Storage rental	(32,322)	(40,943)
Lease pre-termination charges	(27,875)	(3,899)
Write off of other receivables	(11,751)	-
Write off of plant and equipment	(65,876)	(1,250)
	(2,825,571)	(3,089,617)
Finance costs		
Interest on lease liabilities	(95,982)	(113,781)
Loan interest from bank	-	(3,435)
Convertible debenture interest	(9,207)	(19,842)
	(105,189)	(137,058)
(Loss)/Profit before income tax	(410,018)	1,134,975
Income tax expense:		
- Current year	-	-
- Deferred tax	(53,600)	145,800
(Loss)/Profit after income tax	(463,618)	1,280,775
Other comprehensive income	-	-
Total comprehensive (loss)/income for the year	(463,618)	1,280,775