

Overseas Education Limited

Company Registration No: 201131905D

UNAUDITED FIRST QUARTER FINANCIAL STATEMENT

PART 1 INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2,&Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	GROUP		Change %
	31-Mar-15 \$'000	First Quarter ended 31-Mar-14 \$'000	
Revenue			
Tuition fees	23,818	96.9% 24,477	96.1% (2.7)
Registration fees	326	1.3% 511	2.0% (36.2)
School bookshop sales	141	0.6% 148	0.6% (4.7)
Enrichment programme revenue	151	0.6% 227	0.9% (33.5)
Interest income	122	0.5% 78	0.3% 56.4
Other revenue	18	0.1% 20	0.1% (10.0)
Total revenue	<u>24,576</u>	100.0% <u>25,461</u>	100.0% (3.5)
Operating expenses			
Personnel expenses	13,714	55.8% 14,342	56.3% (4.4)
School lease rental	1,708	7.0% 1,707	6.7% 0.1
Depreciation and amortisation expenses	820	3.4% 980	3.8% (16.3)
Cost of goods sold	79	0.3% 95	0.4% (16.8)
Enrichment programme cost	124	0.5% 162	0.6% (23.5)
Utilities	150	0.6% 173	0.7% (13.3)
Upkeep and maintenance	144	0.6% 243	1.0% (40.7)
Other operating expenses	1,093	4.4% 1,113	4.4% (1.8)
Total operating expenses	<u>17,832</u>	72.6% <u>18,815</u>	73.9% (5.2)
Profit before taxation	6,744	27.4% 6,646	26.1% 1.5
Income tax expense	(1,112)	4.5% (1,128)	4.4% (1.4)
Profit for the period	<u>5,632</u>	22.9% <u>5,518</u>	21.7% 2.1
Other comprehensive income for the period, net of tax	+	(+)	0.0
Total comprehensive income for the period	<u><u>5,632</u></u>	22.9% <u><u>5,518</u></u>	21.7% 2.1
Attributable to:			
Owners of the Company	<u>5,632</u>	22.9% <u>5,518</u>	21.7% 2.1
	<u><u>5,632</u></u>	22.9% <u><u>5,518</u></u>	21.7% 2.1

n.m. - Not meaningful

+ - Amount lower than S\$1,000

1(a)(ii) Breakdown and Explanatory Notes to Consolidated Statement of Comprehensive Income

	31-Mar-15 \$'000	Group First Quarter ended 31-Mar-14 \$'000	Change %
Loss on disposal of property, plant and equipment	-	3	n.m.

1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

BALANCE SHEETS

	Note	GROUP		COMPANY	
		31-Mar-15 \$'000	31-Dec-14 \$'000	31-Mar-15 \$'000	31-Dec-14 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment					
- Leasehold land		34,936	35,245	-	-
- Other property, plant and equipment		220,013	179,086	162	168
Intangible assets		2,859	2,911	-	-
Investment in subsidiaries		-	-	91,219	66,219
Inter-company loan to subsidiary		-	-	147,181	131,181
Bonds - Issuance expenses	1	1,328	1,435	1,328	1,435
School lease and purchase of fixed asset deposits		977	120	-	-
Staff housing deposits		203	199	-	-
		<u>260,316</u>	<u>218,996</u>	<u>239,890</u>	<u>199,003</u>
Current assets					
Inventories		468	516	-	-
Trade receivables		817	1,185	-	-
Other receivables and deposits		2,322	2,430	15	15
Goods and Services Tax receivables		2,921	1,162	-	-
Amount owing by subsidiary		-	-	3,700	1,827
Bonds - Issuance expenses	1	436	436	436	436
Prepayments		2,338	1,661	45	18
Cash and bank balances		79,438	125,515	29,661	70,447
		<u>88,740</u>	<u>132,905</u>	<u>33,857</u>	<u>72,743</u>
TOTAL ASSETS		<u>349,056</u>	<u>351,901</u>	<u>273,747</u>	<u>271,746</u>
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables		235	289	-	-
Other payables and liabilities		774	711	479	513
Fees received in advance		24,618	35,986	-	-
Bond-Interest payable		3,547	1,624	3,547	1,624
Goods and Services Tax payable		52	57	52	57
Central Provident Fund payable		309	457	5	10
Income tax payable		5,805	4,620	163	136
		<u>35,340</u>	<u>43,744</u>	<u>4,246</u>	<u>2,340</u>
NET CURRENT ASSETS		53,400	89,161	29,611	70,403
Non-current liabilities					
Borrowings - Bonds	1	150,000	150,000	150,000	150,000
Other liabilities		-	-	1,328	1,435
Deferred tax liabilities		868	941	-	-
		<u>150,868</u>	<u>150,941</u>	<u>151,328</u>	<u>151,435</u>
Net assets		<u>162,848</u>	<u>157,216</u>	<u>118,173</u>	<u>117,971</u>
Equity attributable to owners of the Company					
Share capital		99,253	99,253	99,253	99,253
Revenue reserve		49,764	44,132	18,920	18,718
Other reserves		13,831	13,831	-	-
		<u>162,848</u>	<u>157,216</u>	<u>118,173</u>	<u>117,971</u>
Note 1:					
Borrowings - Bonds		150,000	150,000		
Bonds - Issuance expenses					
- Non-current assets		(1,328)	(1,435)		
- Current assets		(436)	(436)		
		<u>(1,764)</u>	<u>(1,871)</u>		
		<u>148,236</u>	<u>148,129</u>		

1b(ii) Aggregate amount of Group's borrowings and debt securities

The Company issued \$150 million bonds on 17 April 2014 with maturity on 17 April 2019. The Bonds are unsecured and bear interest from 17 April 2014 at the rate of 5.20 per cent. per annum, payable semi-annually in arrear on 17 October and 17 April in each year.

	31-Mar-15	31-Dec-14
	\$'000	\$'000
Borrowings - Bonds	150,000	150,000
Bonds issuance expenses	(1,764)	(1,871)
	<u>148,236</u>	<u>148,129</u>
Total bonds issuance expenses incurred	2,181	2,181
Amortisation to date	(417)	(310)
	<u>1,764</u>	<u>1,871</u>

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding year.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	GROUP	
	First Quarter ended	
	31-Mar-15	31-Mar-14
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	6,744	6,646
Adjustments for:		
Depreciation expenses	647	802
Amortisation expenses	173	178
Loss on disposal of property, plant and equipment	-	3
Interest income	(122)	(78)
Operating profit before working capital changes	<u>7,442</u>	<u>7,551</u>
Decrease in inventories	48	29
Decrease in trade receivables	368	315
(Increase) in other receivables, deposits and prepayments	(2,329)	(562)
(Increase) in non-current deposits	(861)	(7)
(Decrease) in trade payables, other payables, liabilities and fees received in advance	(11,512)	(13,859)
Cash used in operations	<u>(6,844)</u>	<u>(6,533)</u>
Interest received	122	82
Income tax paid	-	-
Net cash used in operating activities	<u>(6,722)</u>	<u>(6,451)</u>
Cash flows from investing activities		
Additions of intangible assets	(121)	(85)
Acquisition of property, plant and equipment	(39,245)	(19,119)
Proceeds from disposal of plant and equipment	11	1
Net cash used in investing activities	<u>(39,355)</u>	<u>(19,203)</u>
Net (decrease) in cash and cash equivalents	(46,077)	(25,654)
Cash and cash equivalents at beginning of the period	<u>125,515</u>	<u>124,703</u>
Cash and cash equivalents at end of the period	<u>79,438</u>	<u>99,049</u>

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total equity \$'000
	Share capital \$'000	Revenue reserve \$'000	Other reserves, total \$'000	Foreign currency translation reserve \$'000	Merger reserve \$'000	Capital reserve \$'000	
GROUP							
2015							
Balance at 1 January 2015	99,253	44,132	13,831	1	(26,170)	40,000	157,216
Profit net of tax	-	5,632	-	-	-	-	5,632
Other comprehensive income for the period	-	-	-	+	-	-	+
Total comprehensive income for the period	-	5,632	-	+	-	-	5,632
Balance at 31 March 2015	99,253	49,764	13,831	1	(26,170)	40,000	162,848
2014							
Balance at 1 January 2014	99,253	33,570	13,831	1	(26,170)	40,000	146,654
Profit net of tax	-	5,518	-	-	-	-	5,518
Other comprehensive income for the period	-	-	-	(+)	-	-	(+)
Total comprehensive income for the period	-	5,518	-	+	-	-	5,518
Balance at 31 March 2014	99,253	39,088	13,831	1	(26,170)	40,000	152,172

+ Amount lower than S\$1,000

Note # Merger reserve represents the difference between the consideration paid by the Company and the share capital of the subsidiaries acquired under common control during FY 2011, following the application of the pooling of interest method. This reserve will remain until the subsidiaries are disposed.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Attributable to owners of the Company		
	Share capital \$'000	Revenue reserve \$'000	Total equity \$'000
COMPANY			
2015			
Balance at 1 January 2015	99,253	18,718	117,971
Profit net of tax	-	202	202
Total comprehensive income for the period	-	202	202
Balance at 31 March 2015	99,253	18,920	118,173
2014			
Balance at 1 January 2014	99,253	15,197	114,450
Profit net of tax	-	213	213
Total comprehensive income for the period	-	213	213
Balance at 31 March 2014	99,253	15,410	114,663

1d(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

As at 31 March 2015, the Company has no outstanding convertibles (31 March 2014: nil).

	Company
At 31 December 2014 and 31 March 2015	No of shares 415,363,548

1d(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at	
	31-Mar-15	31-Dec-14
Total number of issued shares	415,363,548	415,363,548

1d(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and computation methods used in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2014, except for the adoption of the new and revised Financial Reporting Standards (FRS) which become effective for the financial year beginning on or after 1 January 2015.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The adoption of the new and revised accounting standards referred to in paragraph 4 did not give rise to any significant changes to the financial statements.

6 Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	GROUP	
	31-Mar-15	31-Mar-14
	cents	cents
Earnings per ordinary share of the Group for the financial period based on net profit attributable to shareholders:		
Based on weighted average number of ordinary shares on issue	1.4	1.3
On a fully diluted basis	1.4	1.3

7 Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	GROUP		COMPANY	
	31-Mar-15	31-Dec-14	31-Mar-15	31-Dec-14
	cents	cents	cents	cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	39.2	37.9	28.5	28.4

8 A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Review of performance

Review of Income statement

Total revenue declined by \$0.88 million during the quarter ended 31 March 2015 (Q1 2015) from \$25.46 million in the quarter ended 31 March 2014 (Q1 2014) to \$24.58 million. The decrease was mainly due to lower revenue from tuition fees, registration fees and enrichment programme revenue.

Tuition fees revenue was lower by \$0.66 million from \$24.48 million in Q1 2014 to \$23.82 million in Q1 2015. The decrease was attributable to a decline in enrolment in the junior schools.

Revenue from registration fees decreased by \$0.18 million from \$0.51 million in Q1 2014 to \$0.33 million in Q1 2015.

Revenue from school bookshop sales was constant at \$0.14 million in Q1 2015 compared to \$0.15 million in Q1 2014. Enrichment programme revenue decreased from \$0.23 million in Q1 2014 to \$0.15 million in Q1 2015 due to lower enrolment in enrichment programmes.

Interest income from interest bearing bank balances was at \$0.12 million in Q1 2015 compared to \$0.08 million in Q1 2014 mainly due to rising interest rates. Other revenue at \$0.02 million in Q1 2015 was comparable to that of Q1 2014.

Total operating expenses decreased from \$18.81 million in Q1 2014 to \$17.83 million in Q1 2015, a reduction of \$0.98 million or 5.2%. All components of expenses, with the exception of rental, were lower this quarter compared to the corresponding quarter last year.

Personnel expenses, the key component of operating expenses, decreased by \$0.63 million or 4.4% from \$14.34 million in Q1 2014 to \$13.71 million in Q1 2015. Reduction in headcount of teaching staff contributed to the lower personnel costs.

Depreciation and amortisation expenses were lower by \$0.16 million or 16.3% from \$0.98 million in Q1 2014 to \$0.82 million in Q1 2015 as more fixed assets (in particular renovations) had been fully depreciated in prior years.

Utilities expense was lower at \$0.15 million in Q1 2015 as compared to \$0.17 million in Q1 2014. Upkeep and maintenance expenses decreased by \$0.10 million from \$0.24 million in Q1 2014 to \$0.14 million in Q1 2015, from lower maintenance activity in Q1 2015 compared to the corresponding period last year.

Other operating expenses were at \$1.09 million in this quarter as compared to \$1.11 million in Q1 2014 from general decline in expenses.

Resultant from lower operating expenses, profit before taxation increased from \$6.65 million in Q1 2014 to \$6.74 million in Q1 2015, an increase of 1.5%.

Effective tax rate was at 16.5% for Q1 2015 compared to 17% for Q1 2014.

Profit after taxation increased by \$0.11 million from \$5.52 million in Q1 2014 to \$5.63 million in Q1 2015.

Review of Balance Sheet as at 31 March 2015

Other property, plant and equipment increased from \$179.09 million as at 31 December 2014 to \$220.01 million as at 31 March 2015, due to capital expenditure of \$41.10 million incurred for the construction of the new school campus and \$0.31 million depreciation on leasehold land that was transferred to construction-in-progress as part of other property, plant and equipment, and other additions of \$0.16 million, offset by depreciation charge of \$0.65 million in Q1 2015.

School deposit for purchase of fixed asset increased by \$0.86 million due to payment of initial deposits relating to procurement of fixed assets for the new school at Pasir Ris.

Inventories for school uniforms, books and stationery supplies for sale at the school bookshop were \$0.47 million as at end of Q1 2015 compared to \$0.52 million as at 31 December 2014.

Trade receivables decreased by \$0.37 million mainly due to collection of outstanding receivables as at 31 December 2014.

Other receivables and deposits of \$2.32 million as at 31 March 2015 were comparable to \$2.43 million as at 31 December 2014.

Goods and services tax receivables as at 31 March 2015 of \$2.92 million were mainly attributable to GST receivables on expenditure incurred for the construction of the new school campus.

Prepayments increased by \$0.68 million mainly due to increase in prepaid insurance and other expenses.

As at 31 March 2015, the Group's cash and bank balances were at \$79.44 million, a decrease from \$125.52 million as at 31 December 2014. The decrease was mainly due to the acquisition of property, plant and equipment as explained in the review of Group cash flow below.

The trade payables of \$0.24 million as at end of Q1 2015 were comparable to \$0.29 million as at 31 December 2014.

Fees received in advance decreased from \$35.99 million as at 31 December 2014 to \$24.62 million as at 31 March 2015. The fees received in advance as at 31 December 2014 were for tuition fees collected for the second semester commencing in January 2015. As the semester progressed, fees received in advance and recorded as current liability on the balance sheet decreased as these fees received in advance were recognised over the course of the semester as revenue on a straight-line basis.

Bonds - Interest Payable was for the interest accrued on the \$150 million bonds at 5.20% p.a. for the period from 17 October 2014 to 31 March 2015.

Review of Group cash flow for the first quarter ended 31 March 2015

In Q1 2015, net cash used in operating activities was \$6.72 million, which consisted of cash inflow from operating activities before working capital changes of \$7.44 million, net working capital outflow of \$14.28 million and interest received of \$0.12 million.

The net working capital outflow of \$14.28 million arose mainly from the decrease in fees received in advance of \$11.37 million. Fees received in advance as at 31 December 2014 were gradually recognised as revenue over the course of the semester. In addition, the GST receivable as at 31 March 2015 of \$2.92 million was higher compared to \$1.16 million as at 31 December 2014 from higher net GST receivable from capital expenditure on the construction of the new school campus. Payment of initial deposits for procurement of furniture and school equipment contributed to increase in deposits of \$0.74 million.

The net cash used in investing activities of \$39.36 million was mainly due to the capital expenditure for the construction of the new school campus.

9 Where a forecast , or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

The foreign system schools(FSS) in Singapore are to a large extent dependent upon growth of the world economy for Singapore to attract foreign investments. The Group, through its operating subsidiary, would not be able to provide any trends on the development of the world economy. With the completion of the new school facility at Pasir Ris on time and within budget, the Group is well placed in the FSS market in Singapore.

11 Dividend

(a) Current financial period reported on

The directors do not recommend any declaration of dividend for the current financial period reported on.

(b) Corresponding period of the immediately preceding financial year

No dividend was declared for the corresponding period of the preceding financial year.

12 If the Group has obtained a general mandate from the shareholders for Interested Person Transactions (IPT), the aggregate value of such transactions as required under Rule 920(1) (a) (ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for IPTs.

13 Negative confirmation on interim financial results pursuant to Rule 705(5) of the Listing Manual.

The Directors of the Company confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the first quarter financial results to be false or misleading in any material aspect.

14 Disclosure of the status on the use of proceeds raised from IPO.

The Company raised net proceeds of S\$68,033,985 (after deducting IPO expenses of S\$3,966,015) from its IPO on 7 February 2013. The amount utilised as at the date of this report is as follows:

Building of a new school campus	<u>48,300,000</u>
Balance proceeds	<u>19,733,985</u>

BY ORDER OF THE BOARD

David Alan Perry
Executive Chairman and Chief Executive Officer
12 May, 2015