

MindChamps PreSchool Limited
and its Subsidiary Corporations
(Incorporated in Singapore)
(Company Registration No: 200814577H)

Condensed Interim Financial Statements
For the six months ended 30 June 2022

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MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Comprehensive Income

As at 30 June 2022

	Note	6 months ended		+/-
		30 Jun 22	30 Jun 21	
		\$'000	\$'000	%
Revenue	4	31,840	31,143	2%
Cost of sales		(16,300)	(16,271)	0%
Gross profit		15,540	14,872	4%
Other income				
- Interest income		314	41	N.M.
- Others		1,897	1,965	(3%)
		2,211	2,006	10%
Other gains and losses				
- Gain from corporate transactions	12	1,265	258	N.M.
- Impairment loss on financial assets		16	(312)	N.M.
- Other gain / (losses) – net		(42)	(20)	N.M.
Expenses				
- Administrative		(15,630)	(14,669)	7%
- Finance		(1,059)	(1,130)	(6%)
- Marketing		(517)	(598)	(14%)
Share of losses from associates and joint ventures		(12)	(21)	(43%)
Profit before income tax		1,772	386	N.M.
Income tax expense	7	(145)	(60)	N.M.
Net profit		1,627	326	N.M.
Other comprehensive loss:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences arising from consolidation – loss		(1,724)	(477)	N.M.
Total comprehensive loss		(97)	(151)	(36%)
Profit attributable to:				
Equity holders of the Company		1,491	203	N.M.
Non-controlling interests		136	123	11%
		1,627	326	N.M.
Total comprehensive income / (loss) attributable to:				
Equity holders of the Company		(233)	(274)	(15%)
Non-controlling interests		136	123	11%
		(97)	(151)	(36%)
Earnings per share for net profit attributable to equity holders of the Company				
- Basic earnings per share (cents per share)		0.62	0.08	
- Diluted earnings per share (cents per share)		0.62	0.08	

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

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Comprehensive Income

As at 30 June 2022

COMMENTARY ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

6 months ended 30 June 2022 ("1H 2022") and 30 June 2021 ("1H 2021")

- (1) For the 6 months ended 30 June 2022, the Group recorded a profit before tax of S\$1.8 million in 1H 2022, an increase of approximately S\$1.4 million from S\$0.4 million in 1H 2021 and a profit after tax of S\$1.6 million in 1H 2022, an increase of approximately S\$1.3 million from S\$0.3 million in 1H 2021.
- (2) Revenue increased by approximately \$0.7 million or 2%, from \$31.1 million in 1H 2021 to \$31.8 million in 1H 2022. The increase was mainly attributable to:
 - (a) an increase of \$0.9 million in school fees and royalty revenue contributed by the organic increase in preschool fees year on year;
 - (b) an increase of \$0.6 million in childcare enrolment services income in 1H 2022; and
 - (c) a decrease of \$0.8 million which was attributable to the translation of the Group's Australian operations with the depreciation of the Australian dollar against the Singapore dollar during 1H 2022. The Group's Australian operations is not exposed to currency risks as it receives and pays in Australian dollars.
- (3) Cost of sales remain at \$16.3 million in 1H 2022 as in 1H 2021.
- (4) Other income increased by approximately \$0.2 million or 10%, from \$2.0 million in 1H 2021 to \$2.2 million in 1H 2022. The increase was mainly attributable to higher interest income, training and other service income earned from the Group's operations in 1H 2022.
- (5) Gain from corporate transactions increased by approximately S\$1.0 million, from \$0.3 million in 1H 2021 to S\$1.3 million in 1H 2022. The increase was mainly due to the divestment of subsidiary corporations in 1H 2022 on a turnkey basis to franchisees to continue to operate such preschool centres under the MindChamps PreSchool brand name to achieve the Company's desired mix of company-owned and franchised centres via divestment of brownfield centres.
- (6) Impairment of financial assets decreased by \$0.33 million from \$0.31 million impairment loss in 1H 2021 to impairment gain of \$0.02 million in 1H 2022. The decrease was attributable to the lower expected credit loss associated with the Group's financial assets applied in 1H 2022 resulting from a trend towards recovery from the impact of COVID-19 as compared to 1H 2021.
- (7) Administrative expenses increased by approximately \$1.0 million or 7%, from \$14.7 million in 1H 2021 to \$15.7 million in 1H 2022. The increase was mainly attributable to lower manpower expenses in 1H 2021 due to reversal of bonus provision amounting to \$0.8 million in relation to prior period which was forgone in view of the pandemic. Excluding such reversal in 1H 2021, the increase in administrative expenses would have been approximately \$0.2 million or 1%, from \$15.5 million in 1H 2021 to \$15.7 million in 1H 2022.
- (8) Finance expenses decreased by approximately \$0.1 million or 10%, from \$1.1 million in 1H 2021 to \$1.0 million in 1H 2022. The decrease was mainly attributable to the lower outstanding loan principals of the Group's existing borrowings and leases for preschool centres.
- (9) Currency translation arising from consolidation increased by approximately \$1.2 million, from a loss of \$0.5 million in 1H 2021 to a loss of \$1.7 million in 1H 2022. These exchange differences arose from the translation of financial statements of the Group's Australian operations whose functional currencies are different from the Group's presentation currency.

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Balance Sheet – Group

As at 30 June 2022

	Note	30 Jun 2022 \$'000	31 Dec 2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		10,190	10,986
Trade and other receivables		24,152	16,669
Inventories		504	540
Lease receivables		707	696
		<u>35,553</u>	<u>28,891</u>
Non-current assets			
Property, plant and equipment		27,544	27,336
Intangible assets	9	86,237	92,812
Lease receivables		1,171	1,498
Trade and other receivables		1,234	1,238
Deferred income tax assets		1,796	1,768
Investments in associates		135	147
Investments in joint ventures		-	-
		<u>118,117</u>	<u>124,799</u>
Total assets		<u>153,670</u>	<u>153,690</u>
LIABILITIES			
Current liabilities			
Trade and other payables		22,025	14,005
Contract liabilities		1,911	2,637
Borrowings	10	11,144	11,372
Lease liabilities		6,653	7,780
Current income tax liabilities		121	373
		<u>41,854</u>	<u>36,167</u>
Non-current liabilities			
Borrowings	10	20,125	26,177
Lease liabilities		19,831	18,616
Deferred income tax liabilities		125	40
Provision for reinstatement costs		932	976
		<u>41,013</u>	<u>45,809</u>
Total liabilities		<u>82,867</u>	<u>81,976</u>
NET ASSETS		<u>70,803</u>	<u>71,714</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	49,301	49,301
Currency translation reserve		(2,955)	(1,231)
Retained profits		24,737	23,246
		<u>71,083</u>	<u>71,316</u>
Non-controlling interests		<u>(280)</u>	<u>398</u>
TOTAL EQUITY		<u>70,803</u>	<u>71,714</u>

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

COMMENTARY ON THE CONSOLIDATED BALANCE SHEET

(1) Current assets

The Group's current assets increased by approximately \$6.7 million or 25%, from \$28.9 million as at 31 December 2021 to \$35.6 million as at 30 June 2022. The increase of the Group's current assets was mainly attributable to the increase in trade and other receivables arising from balance purchase considerations receivable in Q3 2022 in relation to divestment of subsidiary corporations on 30 June 2022.

(2) Non-current assets

The Group's non-current assets decreased by approximately \$6.7 million or 5%, from \$124.8 million as at 31 December 2021 to \$118.1 million as at 30 June 2022. The decrease of the Group's non-current assets was mainly attributable to the decrease in intangible assets from the divestment of subsidiary corporations and depreciation of Australian dollars arising from the translation of financial statement of the Group's Australian operations.

(3) Current liabilities

The Group's current liabilities increased by approximately \$5.7 million or 15%, from \$36.2 million as at 31 December 2021 to \$41.9 million as at 30 June 2022. The increase of the Group's current liabilities was mainly attributable to the increase in trade and other payables arising from deferred settlements payable in Q3 2022 in relation to divestment of subsidiary corporations on 30 June 2022.

(4) Non-current liabilities

The Group's non-current liabilities decreased by approximately \$4.8 million or 10%, from \$45.8 million as at 31 December 2021 to \$41.0 million as at 30 June 2022. The decrease of the Group's non-current liabilities was mainly attributable to the following:

- (a) the decrease in non-current borrowings of approximately \$6.1 million which resulted from the repayments of existing borrowings; and offset by
- (b) the increase in non-current lease liabilities of approximately \$1.3 million mainly attributable to the renewal of leases in relation to preschool centres.

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Balance Sheet – Company

As at 30 June 2022

	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	5,574	3,955
Trade and other receivables	12,295	12,118
Inventories	4	3
Lease receivables	707	696
	18,580	16,772
Non-current assets		
Property, plant and equipment	2,147	2,487
Trade receivables	1,234	1,238
Intangible assets	2,014	2,217
Lease receivables	1,171	1,498
Deferred income tax assets	55	28
Investments in subsidiary corporations	81,677	81,677
Investments in associates	147	147
Investments in joint ventures	-	-
	88,445	89,292
Total assets	107,025	106,064
LIABILITIES		
Current liabilities		
Trade and other payables	24,849	17,691
Borrowings	8,934	8,179
Lease liabilities	1,188	1,171
	34,971	27,041
Non-current liabilities		
Borrowings	13,280	17,124
Lease liabilities	1,962	2,503
Provision for reinstatement costs	39	37
	15,281	19,664
Total liabilities	50,252	46,705
NET ASSETS	56,773	59,359
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	49,301	49,301
Retained profits	7,472	10,058
TOTAL EQUITY	56,773	59,359

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

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Changes in Equity

As at 30 June 2022

	Attributable to equity holders of the Company				Non-controlling interests	Total
	Share capital	Currency translation reserve	Retained profits	Sub-total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2022						
As at 1 January 2022	49,301	(1,231)	23,246	71,316	398	71,714
Total comprehensive profit for the financial period	-	(1,724)	1,491	(233)	136	(97)
Dividend paid to non-controlling interests	-	-	-	-	(604)	(604)
Divestment of subsidiary corporations	-	-	-	-	(210)	(210)
As at 30 June 2022	49,301	(2,955)	24,737	71,083	(280)	70,803
30 June 2021						
As at 1 January 2021	49,301	1,788	20,835	71,924	71	71,995
Total comprehensive loss for the financial period	-	(477)	203	(274)	123	(151)
Acquisition of a subsidiary corporation	-	-	-	-	397	397
As at 30 June 2021	49,301	1,311	21,038	71,650	591	72,241

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

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Statement of Changes in Equity - Company

For the six months ended 30 June 2022

	Attributable to equity holders of the Company		
	Share capital	Accumulated losses	Total
	\$'000	\$'000	\$'000
30 June 2022			
As at 1 January 2022	49,301	10,058	59,359
Total comprehensive loss for the financial period	-	(2,586)	(2,586)
As at 30 June 2022	49,301	7,472	56,773
30 June 2021			
As at 1 January 2021	49,301	(6,903)	42,398
Total comprehensive loss for the financial period	-	(967)	(967)
As at 30 June 2021	49,301	(7,870)	41,431

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

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

		6 months ended	
	Note	30 Jun 2022	30 Jun 2021
		\$'000	\$'000
Cash flows from operating activities			
Net profit		1,627	326
Adjustments for:			
- Amortisation of intangible assets		706	554
- Depreciation of property, plant and equipment		4,874	4,934
- Gain from corporate transactions		(1,265)	(258)
- Interest expense		1,059	1,130
- Impairment of financial assets		(16)	312
- Interest income		(314)	(41)
- income tax expense	7	145	60
- Share of losses of an associate and joint ventures		12	21
- Unrealised currency translation losses / (gains)		(283)	197
		6,545	7,235
Change in working capital, net of effects from			
- Contract liabilities		(54)	520
- Inventories		20	(64)
- Trade and other receivables		(10,827)	(2,886)
- Trade and other payables		8,038	(679)
Cash generated from operations		3,722	4,126
Income tax paid		(194)	(151)
Income tax refund		-	367
Net cash provided by operating activities		3,528	4,342
Cash flows from investing activities			
Acquisition of subsidiary corporations, net of cash		-	191
Investment in an associate		-	(160)
Additions to intangible assets		(469)	(551)
Additions to property, plant and equipment		(825)	(586)
Divestment of subsidiary corporations		1,336	626
Interest received		314	41
Sublease income received		140	346
Net cash generated / (used) in investing activities		496	(93)

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

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	6 months ended	
	30 Jun 2022	30 Jun 2021
	\$'000	\$'000
Cash flows from financing activities		
Interest paid for loans and leases	(959)	(967)
Repayments of term loans	(4,706)	(2,786)
Repayment of principal amount of lease liabilities	(4,213)	(4,526)
Transfer to reserve account	(2,097)	(2,011)
Net cash used in financing activities	(11,975)	(10,290)
Net decrease in cash and cash equivalents	(7,951)	(6,041)
Cash and cash equivalents		
Beginning of financial year	10,986	11,335
Effects of currency translation on cash and cash equivalents	(52)	4
End of financial period	2,983	5,298
	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
Cash and cash equivalent in the balance sheet	10,190	10,986
Bank balances in the reserve account	(5,207)	(3,111)
Bank overdraft	(2,000)	(2,000)
Cash and cash equivalent in the consolidated statement of cash flows	2,983	5,875

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

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

COMMENTARY ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

6 months ended 30 June 2022 ("1H 2022")

The Group's cash and cash equivalents in the consolidated statement of cash flows decreased by \$8.0 million, from \$11.0 million as at 31 December 2021 to \$3.0 million as at 30 June 2022.

Major cash inflows in 1H 2022 were:

- (a) net cash provided by operating activities of approximately \$3.5 million; and
- (b) divestment of subsidiary corporations of \$1.3 million.

Major cash outflows in 1H 2022 were:

- (a) repayments of principal element of borrowings amounting to approximately \$4.7 million.
- (b) repayments of principal element of lease payments in relation to the leasing of preschool centres and corporate offices of approximately \$4.2 million.
- (c) bank balance amounting to \$2.1 million transferred to the reserve account; and
- (d) repayments of interest in relation to existing borrowings and lease payments of \$1.0 million.

1 General information

MindChamps PreSchool Limited (the “Company”) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (collectively, the Group).

The principal activities of the Company are those relating to childcare services and investment holding.

The principal activities of the Group are:

- (a) Provision of childcare services
- (b) Franchising of childcare services for preschool children
- (c) Commercial school offering higher education services
- (d) Business and management consultancy services and investment holding
- (e) Asset management
- (f) Operation and management of preschool centres
- (g) Music, dancing, art, speech and drama instruction
- (h) Childcare enrolment services.

2 Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s balance sheet and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

The accounting policies and method of computation adopted are consistent with the most recently audited financial statements for the year ended 31 December 2021 which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the Company’s functional currency.

Going concern assumption

As at 30 June 2022, the Group and the Company were in net current liabilities position of \$6.3 million and \$16.4 million respectively. This represents the existence of conditions that may cast significant doubt about the Group’s and the Company’s ability to continue as going concerns. Nevertheless, the financial statements are prepared on a going concern basis taking into consideration the following:

Excluding:

- (i) the Group’s net current lease liabilities, deferred revenue and non-financial assets of \$6.4 million and the Company’s net current lease liabilities, deferred revenue and non-financial assets of \$0.7 million; and
- (ii) the Company’s net intra-group payables of \$16.1 million within the Group (the Group’s treasury management function is centrally managed at the Company where the intra-group lending or repayments within the Group are at the Company’s sole discretion and assessment),

the Group and the Company would have recorded an adjusted net current assets of \$0.1 million and \$0.4 million respectively.

2.1 New and amended standards adopted by the Group

There were no new or amended standards that have become applicable for the Group in relation to the current reporting period.

2.2 Use of judgements and estimates

In the process of applying the Group's accounting policies, there is no instance of application of judgement resulting in significant updates since the last audited financial statements as at 31 December 2021 which will result in significant effects to amounts recognised in the condensed consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk or resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

Note 9 – impairment test of goodwill: key assumptions underlying recoverable amounts.

Note 13 – acquisition of subsidiary corporation: the fair value of the consideration transferred (including contingent consideration) and the fair value of the assets acquired, and liabilities assumed, measured on provisional basis.

3 Seasonal operations

We have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations, primarily due to seasonal changes in student enrolments. The number of students at our preschool centres in Singapore and Australia is typically the lowest at the start of each calendar year, due to the graduation of kindergarten 2 students at the end of the preceding year, before gradually being replaced over the course of the year by new enrolments. As our revenue is directly affected by the headcount of students at our preschool centres, such seasonal fluctuations in student enrolments generally give rise to a corresponding seasonal fluctuation in our revenue over the course of a year.

4 Segment and revenue information

The Key Management ("KM") is the Group's chief decision-maker. The KM comprises the Founder Chief Executive Officer & Executive Chairman, the Chief Financial Officer and the Chief Brand Officer & Global Group General Manager.

The KM considers the business from both a geographic and business segment perspective. Geographically, the KM manages and monitors the business in the two primary geographic areas namely, Singapore and Australia. From a business segment perspective, the KM separately considers the education and franchise activities in these geographic areas.

Operating segments that have similar economic characteristics and similar nature of products and services are aggregated into a single reportable segment. The following summary describes the operations in each of the Group's reportable segments:

(i) Education

Provision of childcare, education and learning related services for preschool children.

(ii) Franchise

Franchising of childcare services and enrichment classes.

(iii) Corporate

Provision of administrative support services and corporate office.

Notes to the condensed interim consolidated financial statements

For the six months ended 30 June 2022

4 Segment and revenue information (Continued)

(ii) *Others*

Provision of commercial schools offering higher education programmes, business and management consulting services.

4.1 Reportable segments

The segment information provided to the KM for the reportable segments are as follows:

	Singapore				Australia		Group
	Education	Franchise	Corporate	Others	Education	Franchise	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
6 months ended							
30 Jun 2022							
Sales							
Total segment sales	9,728	4,546	-	-	17,607	1,108	32,989
Inter-segment sales	-	(840)	-	-	(309)	-	(1,149)
Sales to external parties	9,728	3,706	-	-	17,298	1,108	31,840
EBITDA	4,602	1,999	(1,489)	(59)	4,035	(991)	8,097
As at 30 Jun 2022							
Segment assets	20,008	2,448	25,895	1,373	99,710	4,236	153,670
Segment liabilities	(10,395)	(9,874)	(38,104)	(82)	(22,953)	(1,459)	(82,867)
6 months ended							
30 Jun 2021							
Sales							
Total segment sales	8,907	5,940	-	-	17,121	108	32,076
Inter-segment sales	-	(783)	-	-	(150)	-	(933)
Sales to external parties	8,907	5,157	-	-	16,971	108	31,143
EBITDA	4,088	2,695	(1,621)	-	3,571	(1,770)	6,963
As at 31 Dec 2021							
Segment assets	23,215	2,091	20,198	1,422	102,279	4,485	153,690
Segment liabilities	(18,118)	(7,871)	(30,106)	(174)	(23,483)	(2,224)	(81,976)

4 Segment and revenue information (Continued)

4.1 Reportable segments (Continued)

(a) *Reconciliation*

Segment profit

A reconciliation of EBITDA to profit before income tax is as follows:

	6 months ended	
	30 Jun 2022	30 Jun 2021
	\$'000	\$'000
EBITDA for reportable segments	8,097	6,963
Depreciation	(4,874)	(4,934)
Amortisation	(706)	(554)
Finance expense	(1,059)	(1,130)
Interest income	314	41
Profit before income tax	1,772	386

(b) *Revenue from major services*

Revenues from external customers are mainly school fees, royalty fees and franchise income. Breakdown of the revenue from respective segment is as follows:

	6 months ended	
	30 Jun 2022	30 Jun 2021
	\$'000	\$'000
<u>Revenue</u>		
Education	27,026	25,878
Franchise	4,814	5,265
	31,840	31,143

There were no transactions with a single external customer which amounted to 10 per cent or more of the Group's revenue.

Notes to the condensed interim consolidated financial statements

For the six months ended 30 June 2022

4 Segment and revenue information (Continued)

4.2 Disaggregation of Revenue (Continued)

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major revenue streams and geographical regions. Revenue is attributed to countries by source of revenue generation.

	At a point in time	Group over time	Total
	\$'000	\$'000	\$'000
6 months ended 30 Jun 2022			
Singapore			
- School fees	-	9,560	9,560
- Royalty fees	-	3,162	3,162
- Franchise income	313	-	313
- Sale of merchandise	308	-	308
- Others	91	-	91
Sales to external parties	<u>712</u>	<u>12,722</u>	<u>13,434</u>
Australia			
- School fees	-	16,513	16,513
- Royalty fees	-	152	152
- Franchise income	933	-	933
- Sale of merchandise	-*	-	-
- Management service income	23	-	23
- Commission income	742	-	742
- Others	43	-	43
Sales to external parties	<u>1,741</u>	<u>16,665</u>	<u>18,406</u>
Total	<u>2,453</u>	<u>29,387</u>	<u>31,840</u>
6 months ended 30 Jun 2021			
Singapore			
- School fees	-	8,765	8,765
- Royalty fees	-	2,800	2,800
- Franchise income	2,120	-	2,120
- Sale of merchandise	279	-	279
- Others	99	-	99
Sales to external parties	<u>2,498</u>	<u>11,565</u>	<u>14,063</u>
Australia			
- School fees	-	16,756	16,756
- Royalty fees	-	108	108
- Franchise income	-	-	-
- Sale of merchandise	-*	-	-
- Commission income	163	-	163
- Others	53	-	53
Sales to external parties	<u>216</u>	<u>16,864</u>	<u>17,080</u>
Total	<u>2,714</u>	<u>28,429</u>	<u>31,143</u>

*Less than \$1,000

Notes to the condensed interim consolidated financial statements

For the six months ended 30 June 2022

5 Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2022 and 31 December 2021:

	Group		Company	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	\$'000	\$'000	\$'000	\$'000
Financial assets, at amortised cost	29,893	29,950	21,825	19,337
Financial liabilities, at amortised cost	79,778	77,950	49,790	46,668

6 Profit before income tax

6.1 Significant items

	6 months ended	
	30 Jun 2022	30 Jun 2021
	\$'000	\$'000
Income		
Service income	781	685
Government grants	885	1,159
Expenses		
Amortisation of intangible asset	706	554
Depreciation of property, plant and equipment	4,874	4,934
Employee compensation	21,724	20,735
Interest expenses:		
- Lease liabilities	456	564
- Term loans	539	501

6.2 Related party transactions

	Group and Company	
	6 months ended	
	30 Jun 2022	30 Jun 2021
	\$'000	\$'000
Sale to an associate		
- Franchise income	-	2,145

The Group had no material related party transactions apart from the above and those already disclosed in the audited 31 December 2021 financial statements.

Notes to the condensed interim consolidated financial statements

For the six months ended 30 June 2022

7 Income tax expense

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group and Company	
	6 months ended	
	30 Jun 2022	30 Jun 2021
	\$'000	\$'000
Current income tax expense	(96)	(64)
Deferred income tax expense / (credit) relating to origination and reversal of temporary differences	(49)	4
	(145)	(60)

8 Net asset value

	Group		Company	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Net asset value per ordinary share (cents)	29	30	23	25

9 Intangible assets

	Group		Company	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	\$'000	\$'000	\$'000	\$'000
<u>Composition</u>				
Goodwill arising on consolidation (Note (a))	83,057	89,297	-	-
Franchise licences	-	-	-	-
Courseware development cost	2,706	2,905	1,540	1,610
Computer software licences	431	556	431	553
Copyrights	43	54	43	54
	86,237	92,812	2,014	2,217

Notes to the condensed interim consolidated financial statements

For the six months ended 30 June 2022

9 Intangible assets (Continued)

(a) *Goodwill arising on consolidation*

	Group	
	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
<u>Cost</u>		
Beginning of financial year	89,383	92,638
Acquisitions of performing arts, preschool businesses, and subsidiary corporations	-	171
Divestment of subsidiary corporations (Note 12)	(4,695)	(523)
Currency translation differences	(1,545)	(2,903)
End of financial period / year	83,143	89,383
<u>Accumulated impairment</u>		
Beginning and end of financial period / year	86	86
Net book value	83,057	89,297

Impairment tests for goodwill

Goodwill that has an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. No impairment indicators were identified as at 30 June 2022 based on the CGU's business performance. The Group performed its annual impairment test as at 31 December 2021. The key assumptions used to determine the recoverable amount for the CGU were disclosed in the annual consolidated financial statements for the year ended 31 December 2021.

10 Borrowings

	Group			
	As at 30 Jun 2022		As at 31 Dec 2021	
	Secured	Unsecured	Secured	Unsecured
	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or less, or on demand	17,797	-	19,152	-
Amount repayable after one year	39,956	-	44,793	-
Total	57,753	-	63,945	-

10 Borrowings (Continued)**Details of collaterals**

The Group's borrowings consist of term loans and are secured by means of Specific Security Deeds in respect of securities over shares in the following subsidiary corporations:

- MindChamps Early Learning Australia Pty. Limited
- MindChamps Early Learning 1 Pty. Limited
- MindChamps Early Learning 3 Pty. Limited
- MindChamps Early Learning 4 Pty. Limited
- MindChamps Early Learning 6 Pty. Limited
- MindChamps Early Learning 7 Pty. Limited
- MindChamps Early Learning 8 Pty. Limited
- MindChamps Early Learning 9 Pty. Limited
- MindChamps Early Learning 10 Pty. Limited
- MindChamps Early Learning 11 Pty. Limited
- MindChamps Early Learning 12 Pty. Limited
- MindChamps PreSchool @ Punggol Northshore Pte. Limited
- MindChamps PreSchool @ Buangkok Private Limited

11 Share capital

	Group and Company			
	6 months ended 30 Jun 2022		6 months ended 31 Dec 2021	
	No. of ordinary shares issued (‘000)	Amount \$’000	No. of ordinary shares issued (‘000)	Amount \$’000
Beginning and end of financial period	<u>241,600</u>	<u>49,301</u>	<u>241,600</u>	<u>49,301</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

The Company did not have any outstanding options, rights, subsidiary holdings, convertibles or treasury shares as at 30 June 2022 and 31 December 2021.

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the six months ended 30 June 2022

12 Divestment of subsidiary corporations

On 30th June 2022, the Group divested its equity interest in its partially owned subsidiary corporations, MindChamps PreSchool @ Serangoon Pte. Limited ("SRG") and MindChamps PreSchool @ Zhongshan Park Pte. Ltd ("ZSP").

The effects of the divestments on the cash flows of the Group were as follows:

	SRG	ZSP	Total
	\$'000	\$'000	\$'000
Carrying amounts of assets and liabilities as at the date of divestment:			
Cash and cash equivalents	184	91	275
Property, plant and equipment	1,255	751	2,006
Trade and other receivables	4,132	1,366	5,498
Intangible assets (Note 9)	4,077	618	4,695
Inventories	9	3	12
Deferred tax assets	3	7	10
Total assets	9,660	2,836	12,496
Trade and other payables	3,319	763	4,082
Contract liabilities	396	133	529
Deferred tax liabilities	-	6	6
Lease liabilities	1,200	735	1,935
Bank Loans	649	608	1,257
Total liabilities	5,564	2,245	7,809
Net assets divested of	4,096	591	4,687
Cash inflows arising from divestment:			
Net assets divested of (as above)	4,096	591	4,687
Gain on divestments	549	716	1,265
Proceeds on divestment	4,645	1,307	5,952
Less: Cash and cash equivalents in subsidiary corporations divested of	(184)	(91)	(275)
Less: Deferred considerations*	(3,300)	(1,041)	(4,341)
Net cash inflow on divestments	1,161	175	1,336

* The deferred considerations are expected to receive in full in 3rd quarter of FY2022.

13 Contingent liabilities

There are no material contingent liabilities apart from those already disclosed in the audited 31 December 2021 financial statements.

14 Subsequent events

There are no known subsequent events which led to adjustments to this set of interim financial statements.

Other Information Required by Listing Rule Appendix 7.2

OTHER INFORMATION

1 Review

The condensed consolidated statement of financial position of MindChamps PreSchool Limited and its subsidiary corporations as at 30 June 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2 Review of performance of the Group

Please refer to the interim financial statements of the Group for the six-month period ended 30 June 2022 on page 2 to 11.

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

Not applicable. The Company did not issue any forecast or prospect statement to shareholders previously.

4 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.

(a) COVID-19 impact on 2H 2022

The COVID-19 pandemic has affected almost all countries of the world, and resulted in border closures, workplace closures, movement controls and other measures imposed by the various governments.

The Group's significant operations are in Singapore and Australia, both of which are showing a trend towards recovery from the impact of COVID-19.

As the COVID-19 pandemic continues to evolve, the Group may be impacted by future measures taken by various governments to combat further spread of the pandemic.

(b) Incorporation of two subsidiary corporation, MindChamps International PreSchool Inc. and MindChamps International PreSchool Franchising Inc.

- I. On 21 January 2022, the Company incorporated MindChamps International PreSchool Inc. in Florida, USA with an issued and paid-up share capital of US\$100; and
- II. On 21 July 2022, MindChamps International PreSchool Inc., a wholly owned subsidiary corporation of the Company, incorporated MindChamps International PreSchool Franchising Inc. in Delaware, USA with an issued and paid-up share capital of US\$50,000 to spearhead the expansion of our franchise segment in USA.

Other Information Required by Listing Rule Appendix 7.2

5 If a decision regarding dividend has been made:-

(a) Current Financial Period Reported on

No dividends recommended in the current reported financial period.

(b) Corresponding Period of the Immediate Preceding Financial Year

No dividends recommended in the immediate preceding reported financial year.

(c) The date the dividend is payable

Not applicable.

(d) Books Closure Date

Not applicable.

6 If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared for the current reported financial period as the Company intends to retain the profits generated in the current financial period for operational needs.

7 If the Group has obtained a general mandate from shareholders for IPTs, 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 Interested Person Transactions.

8 Confirmation that the Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

9 Review of performance of the Group – turnover and earnings

Please refer to the interim financial statements of the Group for the six-month period ended 30 June 2022 page 2 -11.

10 Disclosure of persons occupying managerial positions who are related to a director, CEO or substantial shareholder

Pursuant to Rule 704(13) of the Listing Manual, The Company confirms that there are no persons occupying a managerial position in the Company or in any of its principal subsidiary corporations who is a relative of a director, chief executive officer or substantial shareholder of the Company.

11 Negative confirmations pursuant to Rule 705(5).

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial statements to be false or misleading in any material aspect.

On behalf of the Board of Directors

Mr. David Chiem Phu An
Executive Chairman

BY ORDER OF THE BOARD

Yeo Hui Leng
Company Secretary
10 August 2022