

**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 2021**

MindChamps PreSchool Limited and its Subsidiary Corporations
(Incorporated in Singapore)

Condensed Interim Financial Statements
For the six months ended 30 June 2021

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MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Comprehensive Income

As at 30 June 2021

	Note	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000	+/- %
Revenue	4	31,143	21,596	44%
Cost of sales		(16,271)	(14,068)	16%
Gross profit		14,872	7,528	98%
Other income				
- Interest income		41	67	(39%)
- Others		1,965	8,294	(76%)
		2,006	8,361	(76%)
Other gains and losses				
- Gain from corporate transactions	14	258	-	N.M.
- Impairment loss on financial assets		(312)	(13)	N.M.
- Other (losses) / gain – net		(20)	188	N.M.
Expenses				
- Administrative		(14,669)	(12,960)	13%
- Finance		(1,130)	(1,426)	(21%)
- Marketing		(598)	(585)	2%
Share of losses from associates and joint ventures		(21)	(114)	(82%)
Profit before income tax		386	979	(61%)
Income tax expense	7	(60)	(214)	(72%)
Net profit		326	765	(57%)
Other comprehensive (loss) / income:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences arising from consolidation – (loss) / gain		(477)	1,228	N.M.
Total comprehensive (loss) / income		(151)	1,993	N.M.
Profit attributable to:				
Equity holders of the Company		203	702	(71%)
Non-controlling interests		123	63	95%
		326	765	(58%)
Total comprehensive (loss) / income attributable to:				
Equity holders of the Company		(274)	1,930	N.M.
Non-controlling interests		123	63	95%
		(151)	1,993	N.M.
Earnings per share for net profit attributable to equity holders of the Company				
- Basic earnings per share (cents per share)		0.08	0.29	
- Diluted earnings per share (cents per share)		0.08	0.29	

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

COMMENTARY ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

6 months ended 30 June 2021 ("1H 2021") and 30 June 2020 ("1H 2020")

- (1) For the 6 months ended 30 June 2021, despite the COVID-19 pandemic, the Group continued to experience steady growth in student enrolment numbers which drove growth in school fees revenue and recorded a profit before tax of \$0.4 million in 1H 2021 (1H 2020: \$1.0 million) and a profit after tax of \$0.3 million in 1H 2021 (1H 2020: \$0.8 million).

During the COVID-19 pandemic, supported by government subsidies, the Group was required to offset certain percentage of school fees that resulted in revenue loss. The net gain experienced by the Group that resulted from these COVID-19 related measures in 1H 2020 was \$1.3 million (\$7.0 million government subsidies less \$5.7 million mandated revenue loss). Excluding this positive impact of \$1.3 million, 1H 2020 results would have been a loss before tax of \$0.3 million. In 1H 2021, with no mandated reduction in school fees revenue, profit before tax is \$0.4 million, an improvement of \$0.7 million in operational earnings year on year.

- (2) Revenue increased by approximately \$9.5 million or 44%, from \$21.6 million in 1H 2020 to \$31.1 million in 1H 2021. The increase was mainly attributable to:
- (a) the mandated school fees reduction which led to \$5.7 million revenue forgone in 1H 2020. If this was not mandated, the revenue in 1H 2020 would have been \$27.3 million rather than \$21.6 million;
 - (b) an increase of \$0.1 million in school fees and royalty revenue contributed by the organic increase in preschool fees year on year;
 - (c) an increase of \$1.9 million in franchise income from the sales of master franchise licence in 1H 2021; and
 - (d) an increase of \$1.8 million which was attributable to the translation of the Group's Australian operations with the appreciation of the Australian dollar against the Singapore dollar during 1H 2021. The Group's Australian operations is not exposed to currency risks as it receives and pays in Australian dollars.
- (3) Cost of sales increased by approximately \$2.2 million or 16%, from \$14.1 million in 1H 2020 to \$16.3 million in 1H 2021. The increase was mainly attributable to:
- (a) an increase of approximately \$0.8 million of higher academic staff costs incurred, which resulted from higher occupancy rates in 1H 2021 compared to a full lockdown in 1H 2020 and increased number of staff following the acquisitions of performing art school business and centralised enrolment business; and
 - (b) an increase of \$1.2 million which was attributable to the translation of the Group's Australian operations with the appreciation of the Australian dollar against the Singapore dollar during 1H 2021. The Group's Australian operations is not exposed to currency risks as it receives and pays in Australian dollars.
- (4) Other income decreased by approximately \$6.4 million, from \$8.4 million in 1H 2020 to \$2.0 million in 1H 2021. The decrease was mainly attributable to reduced COVID-19 relief support packages extended to the Group's operations in 1H 2021.

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Consolidated Statement of Comprehensive Income

As at 30 June 2021

COMMENTARY ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

6 months ended 30 June 2021 ("1H 2021") and 30 June 2020 ("1H 2020") (Continued)

- (5) Impairment of financial assets increased by \$0.3 million from less than \$0.1 million in 1H 2020 to \$0.3 million in 1H 2021. The increase was attributable to the application of expected credit loss associated with the Group's financial assets.
- (6) Administrative expenses increased by approximately \$1.7 million or 13%, from \$13.0 million in 1H 2020 to \$14.7 million in 1H 2021. The increase was mainly attributable to an increase in:
 - (a) reversal of bonus provision amounting to \$0.8 million in relation to prior period which was not paid out in 1H 2020 in view of the pandemic;
 - (b) administrative costs of approximately \$0.3 million incurred in relation to the newly acquired performing art school business and centralised enrolment business in 1H 2021 as well as professional costs incurred for overseas expansion; and
 - (c) an increase of \$0.8 million which was attributable to the translation of the Group's Australian operations with the appreciation of the Australian dollar against the Singapore dollar during 1H 2021. The Group's Australian operations is not exposed to currency risks as it receives and pays in Australian dollars.
- (7) Finance expenses decreased by approximately \$0.3 million or 21%, from \$1.4 million in 1H 2020 to \$1.1 million in 1H 2021. The decrease was mainly attributable to the lower outstanding loan principals of the Group's existing borrowings and leases for preschool centres.
- (8) Currency translation arising from consolidation decreased by approximately \$1.7 million, from a gain of \$1.2 million in 1H 2020 to a loss of \$0.5 million in 1H 2021. 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 2021

	Note	30 June 2021 \$'000	31 December 2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		9,309	11,335
Trade and other receivables		18,120	16,461
Inventories		432	371
Lease receivables		577	625
		<u>28,438</u>	<u>28,792</u>
Non-current assets			
Property, plant and equipment		26,273	31,237
Trade receivables		1,400	-
Intangible assets	9	95,286	96,196
Lease receivables		1,575	1,837
Deferred income tax assets		1,792	1,755
Investments in associates	12	160	-
Investments in joint ventures		-	21
		<u>126,486</u>	<u>131,046</u>
Total assets		<u>154,924</u>	<u>159,838</u>
LIABILITIES			
Current liabilities			
Trade and other payables		15,174	15,004
Contract liabilities		2,427	2,120
Borrowings	10	6,846	5,793
Lease liabilities		7,748	8,991
Current income tax liabilities		311	389
		<u>32,506</u>	<u>32,297</u>
Non-current liabilities			
Borrowings	10	31,572	33,374
Contract liabilities		177	-
Lease liabilities		17,260	21,083
Deferred income tax liabilities		147	105
Provision for reinstatement costs		1,021	984
		<u>50,177</u>	<u>55,546</u>
Total liabilities		<u>82,683</u>	<u>87,843</u>
NET ASSETS		<u>72,241</u>	<u>71,995</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	49,301	49,301
Currency translation reserve		1,311	1,788
Retained profits		21,038	20,835
		<u>71,650</u>	<u>71,924</u>
Non-controlling interests		<u>591</u>	<u>71</u>
TOTAL EQUITY		<u>72,241</u>	<u>71,995</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 decreased by approximately \$0.4 million or 1%, from \$28.8 million as at 31 December 2020 to \$28.4 million as at 30 June 2021. The decrease of the Group's current assets was mainly attributable to:

- (a) the increase in trade and other receivables of approximately \$1.7 million arising from franchise receivables in 1H 2021 as well as non-refundable deposits paid to vendors; and offset by
- (b) the decrease in cash and cash equivalents of approximately \$2.0 million arising from net cash inflow from operating activities offset by the repayment of lease liabilities and borrowings for 1H 2021.

(2) Non-current assets

The Group's non-current assets decreased by approximately \$4.5 million, from \$131.0 million as at 31 December 2020 to \$126.5 million as at 30 June 2021. The decrease of the Group's non-current assets was mainly attributable to the following:

- (a) the decrease in property, plant and equipment of approximately \$4.9 million mainly attributable to depreciation of right-of-use assets relating to leases held by the Group;
- (b) the decrease in intangible assets of approximately \$0.9 million mainly attributable to the depreciation of the Australian dollar arising from the translation of financial statements of the Group's Australian operations; and offset by
- (c) the increase in trade receivables of approximately \$1.4 million arising from the agreed payment milestones pertaining to franchise receivables in 1H 2021.

(3) Current liabilities

The Group's current liabilities remained relatively consistent at \$32.5 million as at 30 June 2021 and at \$32.3 million as at 31 December 2020 respectively.

(4) Non-current liabilities

The Group's non-current liabilities decreased by approximately \$5.4 million, from \$55.5 million as at 31 December 2020 to \$50.1 million as at 30 June 2021. The decrease of the Group's non-current liabilities was mainly attributable to the following:

- (a) the decrease in non-current lease liabilities of approximately \$3.8 million mainly attributable to the lease payments made by the Group;
- (b) the decrease in non-current borrowings of approximately \$1.8 million which resulted from the net movements of repayments of existing borrowings; and offset by
- (c) the increase in contract liabilities of \$0.2 million pertains to the discounting effect applied on the non-current trade receivables with the settlement date agreed at more than 12 months from the current reporting date.

MindChamps PreSchool Limited and its Subsidiary Corporations

Condensed Interim Balance Sheet – Company

As at 30 June 2021

	Note	30 June 2021 \$'000	31 December 2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		4,074	4,326
Trade and other receivables		14,294	13,050
Inventories		3	3
Lease receivables		577	625
		<u>18,948</u>	<u>18,004</u>
Non-current assets			
Property, plant and equipment		3,191	3,572
Trade and other receivables		1,400	-
Intangible assets		2,351	2,416
Lease receivables		1,575	1,837
Deferred income tax assets		-	-
Investments in subsidiary corporations		81,677	81,677
Investment in associates		160	-
Investment in a joint venture		-	-
		<u>90,354</u>	<u>89,502</u>
Total assets		<u>109,302</u>	<u>107,506</u>
LIABILITIES			
Current liabilities			
Trade and other payables		36,058	32,636
Borrowings		4,608	4,126
Lease liabilities		1,153	1,251
		<u>41,819</u>	<u>38,013</u>
Non-current liabilities			
Borrowings		22,594	23,325
Contract liabilities		177	-
Lease liabilities		3,150	3,673
Deferred income tax liabilities		96	63
Provision for reinstatement costs		35	34
		<u>26,052</u>	<u>27,095</u>
Total liabilities		<u>67,871</u>	<u>65,108</u>
NET ASSETS		<u>41,431</u>	<u>42,398</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		49,301	49,301
Accumulated losses		(7,870)	(6,903)
TOTAL EQUITY		<u>41,431</u>	<u>42,398</u>

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

For the six months ended 30 June 2021

	Note	Attributable to equity holders of the Company			Non-controlling interests	Total
		Share capital	Currency translation reserve	Retained profits		
		\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2021						
As at 1 January 2021		49,301	1,788	20,835	71	71,995
Total comprehensive loss for the financial period		-	(477)	203	123	(151)
Acquisition of a subsidiary corporation	13	-	-	-	397	397
As at 30 June 2021		49,301	1,311	21,038	591	72,241
30 June 2020						
As at 1 January 2020		49,301	(4,101)	17,664	(222)	62,642
Total comprehensive income for the financial period		-	1,228	702	63	1,993
Dividend paid to non-controlling interests		-	-	-	(150)	(150)
As at 30 June 2020		49,301	(2,873)	18,366	(309)	64,485

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 2021

	Attributable to equity holders of the Company		
	Share capital	Accumulated losses	Total
	\$'000	\$'000	\$'000
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
30 June 2020			
As at 1 January 2020	49,301	(1,295)	48,006
Total comprehensive loss for the financial period	-	(2,463)	(2,463)
As at 30 June 2020	49,301	(3,758)	45,543

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 2021

	Note	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000
Cash flows from operating activities			
Net profit		326	765
Adjustments for:			
- Amortisation of intangible assets		554	279
- Depreciation of property, plant and equipment		4,934	4,863
- Gain from corporate transactions		(258)	-
- Interest expense		1,130	1,426
- Interest income		(41)	(67)
- Income tax expense		60	214
- Impairment of financial assets		312	-
- Share of losses of an associate and joint ventures		21	114
- Unrealised currency translation losses / (gains)		197	(710)
		<u>7,235</u>	<u>6,884</u>
Change in working capital, net of effects from acquisitions of businesses, subsidiary corporations, and divestment of subsidiary corporations:			
- Contract liabilities		520	554
- Inventories		(64)	(27)
- Trade and other receivables		(2,886)	(1,958)
- Trade and other payables		(679)	(542)
Cash generated from operations		<u>4,126</u>	<u>4,911</u>
Income tax refund		367	-
Income tax paid		(151)	(79)
Net cash provided by operating activities		<u>4,342</u>	<u>4,832</u>
Cash flows from investing activities			
Acquisition of subsidiary corporations, net of cash acquired	13	191	-
Additions to intangible assets		(551)	(528)
Additions to property, plant and equipment		(586)	(729)
Proceeds received from divestment of subsidiary corporations	14	626	4,779
Investment in an associate	12	(160)	-
Interest received		41	67
Sublease income received		346	-
Net cash (used in) / provided by investing activities		<u>(93)</u>	<u>3,589</u>

* Less than \$1,000

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 2021

	Note	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000
Cash flows from financing activities			
Transfer to reserve account ^(a)		(2,011)	-
Dividend paid to non-controlling interests		-	(150)
Interest paid for loans and leases		(967)	(1,388)
Proceeds from term loans		-	1,440
Repayments of term loans		(2,786)	(5,353)
Repayment of principal amount of lease liabilities		(4,526)	(2,997)
Net cash used in financing activities		(10,290)	(8,448)
Net decrease in cash and cash equivalents		(6,041)	(27)
Cash and cash equivalents			
Beginning of financial year		11,335	5,762
Effects of currency translation on cash and cash equivalents		4	92
End of financial year		5,298	5,827
		30 June	31
		2021	December
		\$'000	2020
		\$'000	\$'000
Cash and cash equivalent in the balance sheet		9,309	11,335
Bank balances in the reserve account ^(a)		(2,011)	-
Bank overdraft		(2,000)	-
Cash and cash equivalent in the consolidated statement of cash flows		5,298	11,335

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 2021

COMMENTARY ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

The Group's cash and cash equivalents in the consolidated statement of cash flows decreased by \$6.0 million, from \$11.3 million as at 31 December 2020 to \$5.3 million as at 30 June 2021.

Major cash inflows in 1H 2021 was:

- (a) net cash provided by operating activities of approximately \$4.3 million.

Major cash outflows in 1H 2021 were:

- (a) repayments of principal element of lease payments in relation to the leasing of preschool centres of approximately \$4.5 million;
- (b) repayments of principal element of borrowings amounting to approximately \$2.8 million;
- (c) bank balance amounting to \$2.0 million transferred to the reserve account in relation to existing borrowings; and
- (d) repayments of interest in relation to existing borrowings and lease payments of \$1.0 million.

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the six months ended 30 June 2021

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 2021 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) Music, dancing, art, speech and drama instruction

2 Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2021 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 2020.

The accounting policies and method of computation adopted are consistent with the most recently audited financial statements for the year ended 31 December 2020 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 2021, the Group and the Company were in net current liabilities position of \$4.1 million and \$22.9 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:

2 Basis of preparation (Continued)

Going concern assumption (Continued)

(a) Excluding:

- (i) the Group's net current lease liabilities of \$7.1 million and the Company's net current lease liabilities of \$0.6 million (the rent commitment for the next 12 months post balance sheet date which will be funded by the business performance or earned for the same period); and
- (ii) the Company's net intra-group payables of \$31.5 million within the Group (the Group's treasury management function is centrally managed at the Company where the intra-group lendings 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 \$3.0 million and \$9.2 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 2020 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.

(ii) Others

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

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the six months ended 30 June 2021

4 Segment and revenue information (Continued)

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 June 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 30 June 2021							
Segment assets	20,989	1,892	21,869	1,418	104,041	4,715	154,924
Segment liabilities	(14,596)	(6,920)	(34,475)	(181)	(23,269)	(3,242)	(82,683)
6 months ended 30 June 2020							
Sales							
Total segment sales	7,943	3,667	-	-	10,715	-	22,325
Inter-segment sales	-	(729)	-	-	-	-	(729)
Sales to external parties	7,943	2,938	-	-	10,715	-	21,596
EBITDA	5,053	952	(907)	(25)	3,852	(1,445)	7,480
As at 31 December 2020							
Segment assets	21,501	1,923	19,992	1,301	113,016	2,105	159,838
Segment liabilities	(16,292)	(7,090)	(33,101)	(173)	(25,864)	(5,323)	(87,843)

(a) *Reconciliation*

Segment profit

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

	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000
EBITDA for reportable segments	6,963	7,480
Depreciation	(4,934)	(4,863)
Amortisation	(554)	(279)
Finance expense	(1,130)	(1,426)
Interest income	41	67
Profit before income tax	386	979

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the six months ended 30 June 2021

4 Segment and revenue information (Continued)

4.1 Reportable segments (Continued)

(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:

<u>Revenue</u>	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000
Education	25,878	18,658
Franchise	5,265	2,938
	31,143	21,596

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

4.2 Disaggregation of Revenue

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.

	Group		
	At a point in time \$'000	Over time \$'000	Total \$'000
6 months ended 30 June 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
	2,498	11,565	14,063
Australia			
- School fees	-	16,756	16,756
- Royalty fees	-	108	108
- Franchise income	-	-	-
- Sale of merchandise	-*	-	-*
- Others	216	-	216
	216	16,864	17,080
Total	2,714	28,429	31,143

*Less than \$1,000

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the six months ended 30 June 2021

4 Segment and revenue information (Continued)

4.2 Disaggregation of Revenue (Continued)

	At a point in time \$'000	Group Over time \$'000	Total \$'000
6 months ended 30 June 2020			
Singapore			
- School fees	-	7,877	7,877
- Royalty fees	-	2,376	2,376
- Franchise income	371	-	371
- Sale of merchandise	214	-	214
- Others	43	-	43
	<u>628</u>	<u>10,253</u>	<u>10,881</u>
Australia			
- School fees	-	10,591	10,591
- Royalty fees	-	28	28
- Franchise income	55	-	55
- Sale of merchandise	1	-	1
- Others	40	-	40
	<u>96</u>	<u>10,619</u>	<u>10,715</u>
Total	<u>724</u>	<u>20,872</u>	<u>21,596</u>

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 2021 and 31 December 2020:

	Group		Company	
	30 June 2021 \$'000	31 December 2020 \$'000	30 June 2021 \$'000	31 December 2020 \$'000
Financial assets, at amortised cost	30,040	29,298	21,689	19,672
Financial liabilities, at amortised cost	<u>78,600</u>	<u>84,245</u>	<u>67,563</u>	<u>65,011</u>

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the six months ended 30 June 2021

6 Profit before income tax

6.1 Significant items

	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000
Income		
Service income	685	436
Government grants	1,159	7,298
	<hr/> <hr/>	<hr/> <hr/>
Expenses		
Amortisation of intangible asset	554	279
Depreciation of property, plant and equipment	4,934	4,863
Employee compensation	20,735	18,256
Interest expenses:		
- Lease liabilities	564	680
- Term loans	501	681
	<hr/> <hr/>	<hr/> <hr/>

6.2 Related party transactions

	Group and Company	
	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000
Sale to an associate		
- Franchise income	2,145	-
	<hr/> <hr/>	<hr/> <hr/>

The Group had no material related party transactions apart from the above and those already disclosed in the audited 31 December 2020 financial statements. Details for the above transaction can be found under Point 4 of the Other Information section below on page 27.

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	
	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000
Current income tax expense	(64)	(214)
Deferred income tax expense relating to origination and reversal of temporary differences	4	-
	<hr/> <hr/>	<hr/> <hr/>
	(60)	(214)

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the six months ended 30 June 2021

8 Net asset value

	Group		Company	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Net asset value per ordinary share (\$ cents)	<u>0.30</u>	<u>0.30</u>	<u>0.17</u>	<u>0.17</u>

9 Intangible assets

	Group		Company	
	30 June 2021 \$'000	31 December 2020 \$'000	30 June 2021 \$'000	31 December 2020 \$'000
<u>Composition</u>				
Goodwill arising on consolidation (Note (a))	91,647	92,552	-	-
Franchise licences	-	-	-	-
Courseware development costs	2,897	2,847	1,611	1,623
Computer software licences	678	722	676	719
Copyrights	64	75	64	74
	<u>95,286</u>	<u>96,196</u>	<u>2,351</u>	<u>2,416</u>

(a) *Goodwill arising on consolidation*

	Group	
	30 June 2021 \$'000	31 December 2020 \$'000
<u>Cost</u>		
Beginning of financial year	92,638	86,793
Acquisitions of performing arts, preschool businesses, and subsidiary corporations	112	81
Currency translation differences	<u>(1,017)</u>	<u>5,764</u>
End of financial year	<u>91,733</u>	<u>92,638</u>
<u>Accumulated impairment</u>		
Beginning and end of financial year	<u>86</u>	<u>86</u>
Net book value	<u>91,647</u>	<u>92,552</u>

9 Intangible assets (Continued)

(a) *Goodwill arising on consolidation (Continued)*

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 2021 based on the CGU's business performance. The Group performed its annual impairment test as at 31 December 2020. 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 2020.

Provisional goodwill arising from acquisition of a centralized childcare enrolment business

Goodwill arising from a centralised childcare enrolment business acquired on 19 April 2021 in Australia is provisionally determined as the Group is still in the midst of assessing the fair value of identified assets acquired, liabilities and contingent liabilities assumed. The fair value exercise is expected to be finalised within 12 months from the date of acquisition; hence, the goodwill has not been allocated to the relevant cash-generating unit ("CGU"). The Group has not performed any impairment assessment as at 30 June 2021 on the goodwill arising from this acquisition as the initial allocation of goodwill has not been completed. Furthermore, there are no internal and external triggering events that warrant an impairment assessment, as this business is generating revenue for the six months ended 30 June 2021.

10 Borrowings

	Group and Company			
	As at 30 June 2021		As at 31 December 2020	
	Secured	Unsecured	Secured	Unsecured
	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or less, or on demand	7,743	-	6,690	-
Amount repayable after one year	33,029	-	34,831	-
Total	40,772	-	41,521	-

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

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the six months ended 30 June 2021

11 Share capital

	Group and Company			
	6 months ended 30 June 2021		6 months ended 31 December 2020	
	No. of ordinary shares issued ('000)	Amount \$'000	No. of ordinary shares issued ('000)	Amount \$'000
Beginning and end of financial year	<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 2021 and 31 December 2020.

12 Investment in an associate

On 29 June 2021, the Company invested 20% equity interest in a newly incorporated company, MindChamps PreSchool MYP Pte. Limited ("MYP"). The principal activity of MYP is provision of educational services.

	Group and Company 30 June 2021 \$'000
<i>Equity accounting</i>	
At incorporation and end of financial period	<u>160</u>

Name of entity	Place of business / country of incorporation	% of ownership Interest 30 June 2021
MindChamps PreSchool MYP Pte. Limited	Singapore	20

There are no contingent liabilities relating to the Group and Company's interest in the above associate.

13 Acquisition of a subsidiary corporation

Acquisition of a centralised childcare enrolment business during six months ended 30 June 2021

On 19 April 2021, the Group completed the 51% equity interest acquisition in a centralised childcare enrolment business ("EB") in Australia. The principal activity of the acquired business is to provide childcare providers access to a centralised enrolment team for occupancy maximisation of existing centres and preparations for the Group's franchise expansion in Australia.

	EB \$'000
(a) Purchase consideration	
Cash paid	263
Deferred consideration	263
Consideration transferred for the business	526
(b) Effect on cash flows of the Group	
Cash paid	(263)
Less: cash and cash equivalents in subsidiary acquired	454
Cash inflow on acquisition	191
	At Provisional Fair Value \$'000
(c) Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	454
Trade and other receivables	518
Total assets	972
Trade and other payables	(161)
Total liabilities	(161)
Total identifiable net liabilities	811
Less: Non-controlling interest at fair value	(397)
Add: Goodwill (Note 9)	112
Consideration transferred for the business	526

13 Acquisition of a subsidiary corporation (Continued)

Acquisition of a centralised childcare enrolment business during six months ended 30 June 2021
(Continued)

(d) Acquisition-related costs

No acquisition related costs were incurred as due diligence has been done internally.

(e) Acquired trade receivables

The fair value of trade receivables is \$170,000. The gross contractual amount for trade receivables due is \$170,000 and at the acquisition date, the entire contractual amount was expected to be collectible.

(f) Acquired other receivables

Included in other receivables is the fair value of deferred consideration receivable amounting to \$263,000 attributable to the issuance of new shares. The gross contractual amount of \$263,000 has been collected as of June 2021.

(g) Non-controlling interests

The Group recognises the 49% non-controlling interest ("NCI") in EB at the date of acquisition at its proportionate share of EB's identifiable net assets of \$811,000.

(h) Goodwill

The goodwill recognised for EB of \$112,000 arising from the acquisition is attributable to the synergies of the business combination by leveraging on EB's access to trained centralised enrolments teams to maximise occupancy rates in MindChamps Preschool businesses.

(i) Revenue and profit contribution

The acquired business contributed revenue of \$162,000 and net loss of \$113,000 to the Group from 20 April 2021 to 30 June 2021.

Had EB been acquired from 1 January 2021, there would be no significant impact to the consolidated revenue and consolidated net profit for the financial period 30 June 2021.

MindChamps PreSchool Limited and its Subsidiary Corporations

Notes to the condensed interim consolidated financial statements

For the six months ended 30 June 2021

14 Divestment of a subsidiary corporation

On 4th January 2021, the Group divested 100% of its equity interest in its wholly owned subsidiary corporation, MindChamps PreSchool @ UPT Pte. Limited ("UPT").

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

	UPT \$'000
Carrying amounts of assets and liabilities as at the date of divestment:	
Cash and cash equivalents	5
Property, plant and equipment	542
Trade and other receivables	159
Intangible assets	523
Inventories	3
Total assets	<u>1,232</u>
Trade and other payables	(133)
Contract liabilities	(36)
Deferred tax liabilities	(1)
Lease liabilities	(529)
Total liabilities	<u>(699)</u>
Net assets divested of	<u>533</u>
Cash inflows arising from divestment:	
Net assets divested of (as above)	533
Gain on divestment	258
Proceeds on divestment	791
Less: Cash and cash equivalents in a subsidiary corporation divested of	(5)
Net cash inflow on divestment	<u>786</u>
Net cash inflow on divestment (as above)	786
Less: Deposit received from divestment recognised as at 31 December 2020	(160)
Net cash inflow for divestment	<u>626</u>

15 Contingent liabilities

There are no material contingent liabilities apart from those already disclosed in the audited 31 December 2020 financial statements.

16 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 2021 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 2021 on page 1 to 12.

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) Incorporation of a joint venture corporation, MindChamps PreSchool MYP Pte. Limited

On 29 June 2021, the Company and Leaders in Learning Pte. Ltd. entered into a joint venture agreement to incorporate MindChamps Preschool MYP Pte. Limited with an issued and paid-up share capital of \$800,000 – with 20% and 80% shareholding respectively.

Concurrently, the Company has granted MindChamps Preschool MYP Pte. Limited a master franchise in relation to MindChamps International PreSchool and MindChamps Reading Programme licences amounting to \$2,145,000.

(b) Acquisition of centralised childcare enrolment business In Australia (“EB”)

On 19 April 2021, the Group completed the acquisition of a 51% shareholding in EB at a total consideration of \$526,000. This acquisition is expected to have a positive impact on the consolidated earnings per share and/or net tangible assets per share of the Group for the financial year ending 31 December 2021.

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 (Continued)

(c) COVID-19 impact on 2H 2021

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 have been affected by the spread of COVID-19 in 2021.

Although Singapore has been lauded as highly effective in its management of COVID-19, the country may still be subjected to sporadic outbreaks from time to time. Despite these challenges, our core operations in Singapore remain resilient year on year.

Australia's largest city, Sydney, which is where most of our centres are operated, are experiencing extended lockdown situations, following persistently high case numbers since a flare-up of the virulent Delta variant which began in June 2021. The New South Wales ("NSW") local government has announced to waive gap-fees on days that parents choose to keep their children at home. This measure implemented by the state government ensures children remains enrolled in care and continued flow of childcare subsidy to the childcare centres providing certainty on the source of revenue during this pandemic period.

Under current NSW restrictions, our childcare centres remain open with steady occupancy rate of approximately 83%. However, we shall continue to monitor this development as it evolves and its impact on our financials from time to time.

1. Source: <https://www.pm.gov.au/media/childcare-gap-fee-waiver-nsw-families-covid-affected-areas>
2. *The gap fee is the difference between the Child Care Subsidy (CCS) the Government pays to a service and the remaining fee paid by the family*

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 2021 page 1 -12.

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 confirmation 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
12 August 2021**