



MASTERSKILL EDUCATION GROUP BERHAD

(Company No. 746920-M)
(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2012 - UNAUDITED

	Current Period Quarter ended		Cumulative Quarter 9 months ended	
	30.9.2012 (RM'000)	30.9.2011 (RM'000)	30.9.2012 (RM'000)	30.9.2011 (RM'000)
Revenue	35,030	61,198	118,505	200,667
Cost of sale	(23,024)	(29,654)	(74,433)	(90,136)
Gross profit	12,006	31,544	44,072	110,531
Operating expenses	(23,194)	(21,842)	(66,848)	(66,195)
Other operating income	32	40	75	227
Interest expense	(1,100)	(774)	(2,579)	(2,477)
Interest income	299	1,114	2,154	3,440
(Loss) / Profit before taxation	(11,957)	10,082	(23,126)	45,526
Income tax expense	4,305	(4,533)	7,704	(5,811)
(Loss) / Profit for the period	(7,652)	5,549	(15,422)	39,715
Other comprehensive income, net of tax				
Fair value of available-for-sale financial assets	(2,044)	660	(34)	7,777
Total comprehensive (loss) / income for the period	(9,696)	6,209	(15,456)	47,492
<u>(Loss) / Profit attributable to:-</u>				
Owners of the Company	(7,651)	5,549	(15,421)	39,715
Non-controlling interests	(1)	-	(1)	-
(Loss) / Profit for the period	(7,652)	5,549	(15,422)	39,715
<u>Comprehensive (loss) / income attributable to:-</u>				
Owners of the Company	(9,695)	6,209	(15,455)	47,492
Non-controlling interests	(1)	-	(1)	-
Total comprehensive (loss) / income for the period	(9,696)	6,209	(15,456)	47,492
Basic earnings per ordinary share (Sen)	(1.87)	1.00	(3.76)	10.00
Diluted earnings per ordinary share (Sen)	(1.87)	1.00	(3.76)	10.00

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the annual financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.



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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012 - UNAUDITED**

	As at 30-Sep-12 Unaudited (RM'000)	As at 31-Dec-11 Audited (RM'000)
NON-CURRENT ASSETS		
Property, plant and equipment	356,268	335,394
Intangible assets	42,286	42,286
Available for sale investment	10,176	10,210
Total Non-Current Assets	408,730	387,890
CURRENT ASSETS		
Receivables, deposits and prepayments	92,555	125,559
Current tax asset	8,824	17,775
Deferred tax asset	565	0
Cash and cash equivalents	73,319	110,586
Total Current Assets	175,263	253,920
TOTAL ASSETS	583,993	641,810
EQUITY		
Share capital	81,981	81,981
Share premium	144,225	144,225
Reserves	208,909	290,098
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	435,115	516,304
Non-controlling interests	134	-
TOTAL EQUITY	435,249	516,304
LIABILITIES		
Borrowings (secured)	46,646	43,312
Deferred tax liabilities	0	7,666
Total Non-Current Liabilities	46,646	50,978
Payables and accruals	79,028	63,664
Borrowings (secured)	23,070	10,864
Total Current Liabilities	102,098	74,528
TOTAL LIABILITIES	148,744	125,506
TOTAL EQUITY AND LIABILITIES	583,993	641,810
Net assets per share attributable to owners of the parent (1) (RM)	1.06	1.26

Note:

(1) computed based on the net assets of the Group divided by 409,905,780 as at 30 September 2012 and 31 December 2011 respectively.

The condensed consolidated statement of financial position should be read in conjunction with the annual financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE QUARTER ENDED 30 SEPTEMBER 2012 - UNAUDITED**

← Equity Attributable to Owners of the Company →

	Non-distributable			Distributable	Non-Controlling Interests	Total
	Share Capital RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	RM'000	
Balance as at 1 January 2011 (audited)	81,981	144,225	-	294,315	-	520,521
Fair value of available-for-sale financial assets	-	-	7,156	-	-	7,156
Profit for the year	-	-	-	38,144	-	38,144
Dividends to owners of the Company	-	-	-	(49,517)	-	(49,517)
Balance as at 31 December 2011 / 1 January 2012 (audited)	81,981	144,225	7,156	282,942	-	516,304
Fair value of available-for-sale financial assets	-	-	(34)	-	-	(34)
Loss for the period	-	-	-	(15,421)	(1)	(15,422)
Dividends to owners of the Company	-	-	-	(65,749)	-	(65,749)
Adjustment in relation to part disposal of equity interest in subsidiary company	-	-	-	15	135	150
Balance as at 30 September 2012	81,981	144,225	7,122	201,787	134	435,249

	Non-distributable			Distributable	Non-Controlling Interests	Total
	Share Capital RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	RM'000	
Balance as at 1 January 2010 (audited)	70,635	1,124	-	220,865	-	292,624
Conversion of irredeemable convertible preference shares to ordinary shares	3,146	9,739	-	-	-	12,885
Issuance of new ordinary shares in conjunction with the initial public offering	8,200	139,435	-	-	-	147,635
Share issue expenses	-	(6,073)	-	-	-	(6,073)
Profit for the year	-	-	-	102,143	-	102,143
Dividends to owners of the Company	-	-	-	(28,693)	-	(28,693)
Balance as at 31 December 2010/1 January 2011 (audited)	81,981	144,225	-	294,315	-	520,521
Fair value of available-for-sale financial assets	-	-	7,777	-	-	7,777
Profit for the period	-	-	-	39,715	-	39,715
Dividends to owners of the Company	-	-	-	(32,383)	-	(32,383)
Balance as at 30 September 2011	81,981	144,225	7,777	301,647	-	535,630

The condensed consolidated statement of changes in equity should be read in conjunction with the annual financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2012 - UNAUDITED**

	As at 30-Sep-12 (Unaudited) (RM'000)	As at 30-Sep-11 (Unaudited) (RM'000)
Cash flows from operating activities		
(Loss) / Profit before tax	(23,126)	45,526
Adjustments for:		
Depreciation of property, plant and equipment	18,844	18,261
Interest expense	2,579	2,477
Interest income	(2,154)	(3,440)
Loss / (Gain) on disposal of property, plant and equipment	696	(3)
Property, plant and equipment written off	5,321	-
Operating profit before changes in working capital	2,160	62,821
Change in receivables, deposits and prepayments	33,155	61,109
Change in payables and accruals	15,364	(16,740)
Cash generated from operating activities	50,679	107,190
Income tax paid	(304)	(10,903)
Income tax refund	8,726	-
Interest paid	(2,579)	(2,477)
Interest received	2,154	3,440
Net cash generated from operating activities	58,676	97,250
Cash flows from investing activities		
Acquisition of subsidiaries	-	(49)
Acquisition of other investments	-	(3,054)
Pledged deposits placed with licensed banks	(77)	240
Acquisition of property, plant and equipment	(45,796)	(39,571)
Proceeds from disposal of property, plant and equipment	61	3
Net cash used in investing activities	(45,812)	(42,431)
Cash flows from financing activities		
Proceeds from loans or borrowings	26,200	18,600
Repayment of borrowings	(7,616)	(5,174)
Repayment of finance lease liabilities	(3,044)	(2,139)
Dividend paid to owners of the Company	(65,749)	(32,383)
Net cash used in financing activities	(50,209)	(21,096)
Net decrease in cash and cash equivalents	(37,345)	33,723
Cash and cash equivalents at 1 January	109,735	143,825
Cash and cash equivalents at end of reporting period	72,390	177,548

The condensed consolidated statement of cash flows should be read in conjunction with the annual financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2012 - UNAUDITED**

- i) Cash and cash equivalents
Cash and cash equivalents included in the cash flow statements comprise:

	As at 30-Sep-12 (Unaudited) (RM'000)	As at 30-Sep-11 (Unaudited) (RM'000)
Deposits placed with licensed banks	51,678	142,678
Cash and bank balances	21,641	35,702
Cash and cash equivalents	73,319	178,380
Less: Deposits pledged with licensed banks	(929)	(832)
Cash and cash equivalents	72,390	177,548

The condensed consolidated statement of cash flows should be read in conjunction with the annual financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with applicable disclosure provisions of Main Market Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

These are the Group's condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS1, First-time Adoption of Malaysian Financial Reporting Standards has been applied. The adoption of MFRS1 has no impact in the reported financial position and financial performance of the Group.

2. Accounting Policies

The accounting policies adopted by the Group in these condensed consolidated interim financial statements are consistent with those adopted by the Group's in its consolidated audited financial statements for the financial year ended 31 December 2011.

3. Seasonal or Cyclical Factors

The Group does not experience significant fluctuations in operations due to seasonal factor.

4. Unusual Significant Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial year-to-date.

5. Changes in Estimates

There were no changes in estimates of amounts reported in prior financial year that had a material effect in the current quarter and year-to-date results.

6. Changes in Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the current financial period-to-date.



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. Operating Segment

	University Colleges RM'000	Colleges RM'000	Total RM'000
30.9.2012			
Segment (loss)/profit before tax	(30,286)	6,226	(24,060)
Included in the measure of segment (loss)/profit are:			
Revenue from external customers	40,442	78,010	118,452
Interest income	832	-	832
Interest expense	(1,692)	(887)	(2,579)
Depreciation of property, plant and equipment	(9,097)	(9,747)	(18,844)
Segment assets	336,720	192,439	529,159
Included in the measure of segment assets are:			
Additions to non-current assets other than financial instruments and deferred tax assets	1,769	19,576	21,345
Segment liabilities	(280,942)	(259)	(281,201)
30.9.2011			
Segment profit before tax	(2,833)	47,363	44,530
Included in the measure of segment profit are:			
Revenue from external customers	77,535	123,113	200,648
Interest income	1,357	-	1,357
Interest expense	(2,477)	-	(2,477)
Depreciation of property, plant and equipment	(8,775)	(9,477)	(18,252)
Segment assets	331,195	186,018	517,213
Included in the measure of segment assets are:			
Additions to non-current assets other than financial instruments and deferred tax assets	1,769	19,576	21,345
Segment liabilities	(122,417)	(305)	(122,722)



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7. Operating Segment (continued)

Reconciliations of reportable segment profit or loss, revenue, assets, liabilities and other material items

	30.9.2012	30.9.2011
	RM'000	RM'000
Profit or loss		
Total (loss)/profit for reportable segments	(24,060)	44,530
Other non-reportable segments	102	996
Interest income	832	-
Consolidated (loss)/profit before tax	(23,126)	45,526
Revenue		
Total revenue for reportable segments	118,452	200,648
Other non-reportable segments	53	19
Consolidated revenue	118,505	200,667
Interest Income		
Total interest income for reportable segments	832	1,357
Other non-reportable segments	1,322	2,083
Consolidated total interest income	2,154	3,440
Assets		
Total assets for reportable segments	529,159	517,213
Other non-reportable segments	237,548	239,948
Elimination of inter-segment	(182,714)	(97,047)
Consolidated total assets	583,993	660,114
Liabilities		
Total liabilities for reportable segments	(281,201)	(122,722)
Other non-reportable segments	(1,149)	(1,762)
Elimination of inter-segment	133,606	-
Consolidated total liabilities	(148,744)	(124,484)



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8. Material Subsequent Events

There were no material subsequent events as of the date of this report.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter.

10. Changes in Contingent Liabilities and Contingent Assets

There were no material contingent liabilities or contingent assets as at 30 September 2012.

11. Commitments on Capital Expenditure

The capital commitments of the Group as at 30 September 2012 are as follow:

	As at 30.9.2012 (unaudited) RM'000	As at 31.12.2011 (audited) RM'000
Capital commitments		
Property, plant and equipment		
Contracted but not provided for	20,457	54,091

12. Related Party Transactions

Related parties are those defined under MFRS 124: Related Party Disclosures. The Directors are of the opinion that the related party transactions and balances, described below were carried out in the ordinary course of business and commercial terms that are no more favourable than those available to other third parties.

	Transaction Value		Balance outstanding	
	9 months ended		as at	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
	RM'000	RM'000	RM'000	RM'000
With a Director				
Rental expense for premises	252	252	-	-



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13. Review of Performance

For the third quarter ended 30 September 2012, Masterskill Education Group Bhd (MEGB) recorded a revenue and loss before tax of approximately RM35.0 million and RM12.0 million respectively, which were worse than the results for the same period of the preceding year.

The lower revenue was attributed to lower student enrolment in the reporting period due to competition in the market. The reduction in PTPTN loan amount as well as the higher entry requirement for nursing programme has resulted in lower student enrolment. The quarter under review saw a higher depreciation and increase in staff cost due the ratio for teaching staff to students in line with the Malaysian Qualification Agency (MQA) requirement with programme standard in which the ratio is 1:20 for the science programmes instead of 1:30 previously. The higher loss was also attributable to a one off write-off of renovation and equipment costs of certain of its teaching facilities that were vacated during the quarter of RM5.3 million.

14. Comparison with Preceding Quarter's Results

The Group's reported revenue of RM35.0 million which is a 42.8% decrease from RM61.2 million achieved in 3Q 2011. The decrease in revenue had resulted in a loss after tax of RM7.7 million compared with the preceding quarter profit after tax of RM5.5 million.

The reduction in revenue was in relation to the lower student enrolment as per para 13. Continuous management efforts to improve efficiency in operations had mitigated the net loss for the quarter.

15. Commentary on Prospects

The year 2012 will be challenging for MEGB with more universities and colleges, both public and private, offering nursing and allied health programmes in recent years.

Moving forward, MEGB will continue to pursue opportunities in other segments of the domestic and international market to realize its long term growth strategy. This will be done through new and diversified product offerings such as business, hospitality and tourism programmes in the local as well as international market. MEGB had received the approval from the Ministry of Higher Education Malaysia on 11 and 12 October 2012 respectively to change the name of the educational institution from ASEAN Metropolitan University College to ASIA Metropolitan University and being fully upgraded from a university college to a full-fledged university status.



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15. Commentary on Prospects (continued)

The change in the name and being fully upgraded to a university is in tandem with the long term strategic goal to diversify, internationalize and reposition the university to cater to students across Asian countries. The new name also supports the business diversification strategy to offer non health science programmes such as Business, Tourism and Hospitality in 2013. Focus will also be given to degree and post graduate programmes in which there is a higher demand and revenue orientation compared with diploma programmes.

MEGB will also focus on the international market expansion via franchising and bringing in international students to its Malaysian campuses. We are targeting to have at least one franchisee in China and Africa in 2013. At the same time more aggressive marketing efforts has been placed for international student recruitment.

16. Variance on Profit Forecast /Profit Guarantee

The Group has not issued any profit forecast or profit guarantee for the current quarter under review.

17. Taxation

	Quarter ended		Cumulative to date	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
	RM'000	RM'000	RM'000	RM'000
Income and deferred tax	(4,305)	4,533	(7,704)	5,811

Deferred tax asset is recognized for the Group for the current quarter and year-to-date mainly due to the availability of Investment Tax Allowance, a tax incentive granted under the Promotion of Investment Act, 1986 and capital allowances to offset against tax liability of future income.

18. Status of Corporate Proposals

There were no corporate proposals which had been announced but not yet completed.



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19. Group Borrowings and Debt Securities

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 30 September 2012.

Borrowings (secured)	As at 30.9.2012 (unaudited) RM'000	As at 31.12.2011 (audited) RM'000
Non-current		
Finance lease liabilities	1,951	4,497
Secured revolving credit (Islamic)	-	1,152
Secured term loan (Islamic)	44,695	37,663
	46,646	43,312
Current		
Finance lease liabilities	2,560	3,058
Secured revolving credit (Islamic)	11,087	2,150
Secured term loan (Islamic)	9,423	5,656
	23,070	10,864
	69,716	54,176

20. Material Litigation

As of the date of this announcement, the following are the developments to the material litigations against the Group or taken by the Group.

A. Kuala Lumpur High Court Suit No. S6-22-96-2007

Masterskill (M) Sdn Bhd -v- Kemacahaya Development Sdn Bhd (First Defendant), K. Pasupathy (Second Defendant), Chin Yam Meng (Third Defendant), Leong Kok Onn (Fourth Defendant) and Syarikat Kemacahaya Sdn Bhd (Fifth Defendant)

- The Court of Appeal fixed this matter for Hearing on 14.12.2012.

B. Kuala Lumpur High Court Suit No. S-23-41-2010

Masterskill (M) Sdn Bhd -v- Sistem Televisyen Malaysia Berhad ("STMB")

- The High Court on 28.04.2011 allowed the Plaintiff's claim with damages of RM200,000 and RM50,000 as costs.
- TV3 filed an Appeal to the Court of Appeal against the High Court decision and Masterskill filed a Cross Appeal to increase the quantum of damages to RM100,000,000.
- Awaiting the Hearing date from the Court of Appeal.



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21. Dividends

- a) A second interim single tier dividend was declared by the Directors on 28 February 2012 in respect of the financial year ended 31 December 2011 of 1.40 sen per share totaling RM5,739,000 and was paid on 9 April 2012.
- b) A first interim single tier dividend was declared by the Directors on 28 May 2012 in respect of the financial year ended 31 December 2012 of 14.64 sen per ordinary share totaling RM60,010,000 and was paid on 3 July 2012.

<u>9 months ended 30.9.2012</u>	Sen Per Share	Total RM'000	Date of payment
Second Interim Single Tier 2011 ordinary	1.40	5,739	9 April 2012
First Interim Single Tier 2012 ordinary	14.64	60,010	3 July 2012
		<u>65,749</u>	

<u>9 months ended 30.9.2011</u>	Sen Per Share	Total RM'000	Date of payment
Final Single Tier 2010 ordinary	7.90	32,383	15 June 2011
First Interim Single Tier 2011 ordinary	4.18	17,134	20 December 2011
		<u>49,517</u>	

22. Earnings per Share

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated based on the net (loss) / profit attributable to ordinary shareholders of (RM15,421,000)(30.9.2011 – RM39,715,000) and the weighted average number of ordinary shares in issue during the quarter 409,905,780 (30.9.2011 – 409,905,780).

	Current Period Quarter ended		Cumulative Quarter 9 months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
(Loss)/Profit for the period attributable to ordinary equity shareholders (RM'000)	<u>(7,651)</u>	<u>5,549</u>	<u>(15,421)</u>	<u>39,715</u>
Weighted average number of ordinary shares at 30 September ('000)	<u>409,906</u>	<u>409,906</u>	<u>409,906</u>	<u>409,906</u>
Basic earnings per ordinary share (Sen)	<u>(1.87)</u>	<u>1.00</u>	<u>(3.76)</u>	<u>10.00</u>



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22. Earnings per Share (continued)

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary shares at 30 September 2012 is based on (loss) / profit attributable to ordinary shareholders of (RM15,421,000) (30.9.2011 – RM39,715,000) and the weighted average number of shares outstanding after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

	Current Period		Cumulative Quarter	
	Quarter ended		9 months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
(Loss)/Profit for the period attributable to ordinary equity shareholders (RM'000)	<u>(7,651)</u>	<u>5,549</u>	<u>(15,421)</u>	<u>39,715</u>
Weighted average number of ordinary shares (diluted) at 30 September ('000)	<u>409,906</u>	<u>409,906</u>	<u>409,906</u>	<u>409,906</u>
Diluted earnings per ordinary share (Sen)	<u>(1.87)</u>	<u>1.00</u>	<u>(3.76)</u>	<u>10.00</u>

23. Auditors Report on Preceding Annual Financial Statements

There was no qualification to the preceding audited financial statements for the financial year ended 31 December 2011.



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24. Additional notes to the Statement of Comprehensive Income

	Current Period		Cumulative Quarter	
	Quarter ended		9 months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
	RM'000	RM'000	RM'000	RM'000
Results from operation activities is arrived at after charging:				
• Depreciation of property, plant and equipment	6,289	6,535	18,844	18,261
• Impairment loss for receivables	555	707	4,783	4,451
• Interest expense	1,100	774	2,579	2,477
• Loss/(Gain) on disposal of property, plant and equipment	226	-	696	(3)
• Property, plant and equipment written off	-	-	5,321	-
and crediting:				
• Interest income	299	1,114	2,154	3,440

25. Disclosure of Realised and Unrealised Profits

	9 months ended	12 months ended
	30.9.2012	31.12.2011
	RM'000	RM'000
Total retained earnings of Masterskill Education Group Berhad and its subsidiaries		
-Realised	290,806	297,996
-Unrealised	(565)	7,666
Less: Consolidation adjustment	(88,454)	(22,720)
Total	201,787	282,942

BY ORDER OF THE BOARD