



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 31 DECEMBER 2012 - UNAUDITED

	Current Period Quarter ended		Cumulative Quarter 12 months ended	
	31.12.2012 (RM'000)	31.12.2011 (RM'000)	31.12.2012 (RM'000)	31.12.2011 (RM'000)
Revenue	30,319	49,504	148,824	250,171
Cost of sale	(22,222)	(30,080)	(96,655)	(120,216)
Gross profit	8,097	19,424	52,169	129,955
Operating expenses	(20,060)	(22,948)	(86,908)	(89,143)
Other operating income	248	610	323	837
Interest expense	(911)	(777)	(3,490)	(3,254)
Interest income	305	1,111	2,459	4,551
(Loss) / Profit before taxation	(12,321)	(2,580)	(35,447)	42,946
Income tax expense	(454)	1,009	7,250	(4,802)
(Loss) / Profit for the period	(12,775)	(1,571)	(28,197)	38,144
Other comprehensive income, net of tax				
Fair value of available-for-sale financial assets	(73)	(621)	(107)	7,156
Total comprehensive (loss) / income for the	(12,848)	(2,192)	(28,304)	45,300
<u>(Loss) / Profit attributable to:-</u>				
Owners of the Company	(12,848)	(2,192)	(28,303)	45,300
Non-controlling interests	-	-	(1)	-
(Loss) / Profit for the period	(12,848)	(2,192)	(28,304)	45,300
<u>Comprehensive (loss) / income attributable to:-</u>				
Owners of the Company	(12,848)	(2,192)	(28,303)	45,300
Non-controlling interests	-	-	(1)	-
Total comprehensive (loss) / income for the	(12,848)	(2,192)	(28,304)	45,300
Basic earnings per ordinary share (Sen)	(3.12)	(0.38)	(6.88)	9.31
Diluted earnings per ordinary share (Sen)	(3.12)	(0.38)	(6.88)	9.31

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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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 - UNAUDITED

	As at 31-Dec-12 Unaudited (RM'000)	As at 31-Dec-11 Audited (RM'000)
NON-CURRENT ASSETS		
Property, plant and equipment	361,959	335,394
Intangible assets	42,286	42,286
Available for sale investments	10,102	10,210
Total Non-Current Assets	414,347	387,890
CURRENT ASSETS		
Receivables, deposits and prepayments	63,418	125,559
Current tax asset	8,982	17,775
Cash and cash equivalents	32,194	110,586
Total Current Assets	104,594	253,920
TOTAL ASSETS	518,941	641,810
EQUITY		
Share capital	81,981	81,981
Share premium	144,225	144,225
Reserves	196,060	290,098
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	422,266	516,304
Non-controlling interests	134	-
TOTAL EQUITY	422,400	516,304
LIABILITIES		
Borrowings (secured)	47,546	43,312
Deferred tax liabilities	0	7,666
Total Non-Current Liabilities	47,546	50,978
Payables and accruals	28,272	63,664
Borrowings (secured)	20,719	10,864
Income tax payable	4	
Total Current Liabilities	48,995	74,528
TOTAL LIABILITIES	96,541	125,506
TOTAL EQUITY AND LIABILITIES	518,941	641,810
Net assets per share attributable to owners of the parent (1) (RM)	1.03	1.26

Note:

(1) computed based on the net assets of the Group divided by 409,905,780 as at 31 December 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 statement



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE QUARTER ENDED 31 DECEMBER 2012 - UNAUDITED**

	← Equity Attributable to Owners of the Company →					
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	Non-distributable			Distributable	Non-	Total
	Share Capital	Share Premium	Fair Value Reserve	Retained Earnings	Controlling Interests	
	RM'000	RM'000	RM'000	RM'000	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	-	-	(107)	-	-	(107)
Loss for the period	-	-	-	(28,197)	-	(28,197)
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 31 December 2012	81,981	144,225	7,049	189,011	135	422,401

	Non-distributable			Distributable	Non-	Total
	Share Capital	Share Premium	Fair Value Reserve	Retained Earnings	Controlling Interests	
	RM'000	RM'000	RM'000	RM'000	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	-	-	7,156	-	-	7,156
Profit for the period	-	-	-	38,144	-	38,144
Dividends to owners of the Company	-	-	-	(49,517)	-	(49,517)
Balance as at 31 December 2011	81,981	144,225	7,156	282,942	-	516,304

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 31 DECEMBER 2012 - UNAUDITED		
	As at 31-Dec-12 (Unaudited) (RM'000)	As at 31-Dec-11 (Unaudited) (RM'000)
Cash flows from operating activities		
(Loss) / Profit before tax	(35,447)	42,946
Adjustments for:		
Depreciation of property, plant and equipment	25,213	22,745
Interest expense	3,490	3,254
Interest income	(2,459)	(4,551)
Loss / (Gain) on disposal of property, plant and equipment	655	4
Property, plant and equipment written off	5,247	(3)
Operating profit before changes in working capital	(3,301)	64,395
Change in receivables, deposits and prepayments	62,142	18,799
Change in payables and accruals	(35,236)	(11,761)
Cash generated from operating activities	23,605	71,433
Income tax refund	8,726	-
Income tax paid	(350)	(11,165)
Interest paid	(3,490)	(3,254)
Interest received	2,459	4,551
Net cash generated from operating activities	30,950	61,565
Cash flows from investing activities		
Acquisition of subsidiaries	-	(49)
Acquisition of other investments	-	(3,054)
Pledged deposits placed with licensed banks	(59)	221
Acquisition of property, plant and equipment	(57,839)	(51,947)
Proceeds from disposal of property, plant and equipment	157	3
Net cash used in investing activities	(57,741)	(54,826)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	-
Proceeds from loans or borrowings	43,799	18,600
Repayment of borrowings	(26,200)	(7,034)
Repayment of finance lease liabilities	(3,510)	(2,878)
Dividend paid to owners of the Company	(65,749)	(49,517)
Net cash used in financing activities	(51,660)	(40,829)
Net decrease in cash and cash equivalents	(78,451)	(34,090)
Cash and cash equivalents at 1 January	109,735	143,825
Cash and cash equivalents at end of reporting period	31,284	109,735
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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Cash and cash equivalents included in the cash flow statements comprise:

	As at 31-Dec-12 (Unaudited) (RM'000)	As at 31-Dec-11 (Unaudited) (RM'000)
Deposits placed with licensed banks	18,744	106,971
Cash and bank balances	13,450	3,615
Cash and cash equivalents	32,194	110,586
Less: Deposits pledged with licensed banks	(910)	(851)
Cash and cash equivalents	31,284	109,735



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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
31.12.2012			
Segment (loss)/profit before tax	(40,730)	5,715	(35,016)
Included in the measure of segment (loss)/profit are:			
Revenue from external customers	51,358	97,394	148,752
Interest income	1,120	-	1,120
Interest expense	(2,376)	(1,113)	(3,489)
Depreciation of property, plant and equipment	(11,906)	(13,307)	(25,213)
Segment assets	268,582	193,033	461,615
Included in the measure of segment assets are:			
Additions to non-current assets other than financial instruments and deferred tax assets	26,032	533	26,565
Segment liabilities	(95,770)	(250)	(96,020)
31.12.2011			
Segment profit before tax	(14,994)	53,064	38,070
Included in the measure of segment profit are:			
Revenue from external customers	93,681	156,459	250,150
Interest income	1,717	-	1,717
Interest expense	(3,254)	-	(3,254)
Depreciation of property, plant and equipment	(10,909)	(11,836)	(22,745)
Segment assets	306,916	192,500	499,416
Included in the measure of segment assets are:			
Additions to non-current assets other than financial instruments and deferred tax assets	3,168	26,058	29,226
Segment liabilities	(124,699)	(317)	(125,016)



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7. Operating Segment (continued)

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

	31.12.2012	31.12.2011
	RM'000	RM'000
Profit or loss		
Total (loss)/profit for reportable segments	(35,016)	42,216
Other non-reportable segments	(1,771)	(2,096)
Interest income	1,339	2,834
Consolidated (loss)/profit before tax	(35,448)	42,954
Revenue		
Total revenue for reportable segments	148,752	250,140
Other non-reportable segments	72	31
Consolidated revenue	148,824	250,171
Interest Income		
Total interest income for reportable segments	1,120	1,717
Other non-reportable segments	1,339	2,834
Consolidated total interest income	2,459	4,551
Assets		
Total assets for reportable segments	461,615	499,416
Other non-reportable segments	237,331	237,242
Elimination of inter-segment	(180,005)	(94,848)
Consolidated total assets	518,941	641,810
Liabilities		
Total liabilities for reportable segments	(96,020)	(125,016)
Other non-reportable segments	(521)	(490)
Elimination of inter-segment	-	-
Consolidated total liabilities	(96,541)	(125,506)



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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 31 December 2012.

11. Commitments on Capital Expenditure

The capital commitments of the Group as at 31 December 2012 are as follow:

	As at 31.12.2012 (unaudited) RM'000	As at 31.12.2011 (audited) RM'000
Capital commitments		
Property, plant and equipment		
Contracted but not provided for	11,534	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 12 months ended		Balance outstanding as at	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
With a Director				
Rental expense for premises	336	336	-	-



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13. Review of Performance

For the fourth quarter ended 31 **December** 2012, Masterskill Education Group Bhd (MEGB) recorded a revenue and loss before tax of approximately RM30.3 million and RM12.3 million respectively, which were worse than the results for the corresponding period of the preceding year.

The lower revenue was attributed to lower student enrollment achieved in the reporting period as well as preceding quarters. The reduction in PTPTN loan amount as well as the higher entry requirement for nursing programme continued to weigh against our student recruitment. The quarter under review saw a higher depreciation charge 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.

14. Comparison with Preceding Year Quarter's Results

The Group's reported revenue of RM30.3 million which is a 39% decrease from RM 49.5 million achieved in 4Q 2011. The decrease in revenue had resulted in a loss before tax of RM12.3 million compared with the preceding quarter loss before tax of RM2.6 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 ahead 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 has repositioned itself to pursue opportunities in other segments of the domestic and international student 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. As a significant milestone in this direction, MEGB had received the approvals from the Ministry of Higher Education Malaysia on 11 and 12 October 2012 respectively, to firstly, change the name of the educational institution from ASEAN Metropolitan University College to ASIA Metropolitan University ("AMU") and secondly, being fully upgraded from a university college to a full-fledged university status. In addition, AMU was recently accredited with Premier University status by ASIC.



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15. Commentary on Prospects (continued)

The change in the name and being fully upgraded to a university with premier status recognition, is in tandem with the long term strategic goal to diversify, internationalize and reposition AMU 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 from 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 with more aggressive marketing efforts placed on 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	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Income and deferred tax	(454)	(1009)	(7,250)	4,802

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 31 December 2012.

Borrowings (secured)	As at 31.12.2012 (unaudited) RM'000	As at 31.12.2011 (audited) RM'000
Non-current		
Finance lease liabilities	1,581	4,497
Secured revolving credit (Islamic)	1,622	1,152
Secured term loan (Islamic)	44,343	37,663
	47,546	43,312
Current		
Finance lease liabilities	2,463	3,058
Secured revolving credit (Islamic)	13,400	2,150
Secured term loan (Islamic)	4,856	5,656
	20,719	10,864
	68,265	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 Case Management on 05.03.2013.
- The matter is further fixed for Case Management on 07.03.2013 at Kuala Lumpur High Court to update the Court on new hearing date for all the appeals in the Court of Appeal.

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



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RM100,000,000.

- The Court of Appeal fixed the matter for further Case Management on 12.03.2013.

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>12 months ended 31.12.2012</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>12 months ended 31.12.2011</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 (RM28,197,000) (31.12.2011 – RM38,144,000) and the weighted average number of ordinary shares in issue during the quarter 409,905,780 (31.12.2011 – 409,905,780).

	Current Period		Cumulative Quarter	
	Quarter ended 31.12.2012	31.12.2011	12 months ended 31.12.2012	31.12.2011
(Loss)/Profit for the period attributable to ordinary equity shareholders (RM'000)	<u>(12,775)</u>	<u>(1,571)</u>	<u>(28,197)</u>	<u>38,144</u>



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Weighted average number of ordinary shares at 31 December ('000)	<u>409,906</u>	<u>409,906</u>	<u>409,906</u>	<u>409,906</u>
Basic earnings per ordinary share (Sen)	<u>(3.12)</u>	<u>(0.38)</u>	<u>(6.88)</u>	<u>9.31</u>

22. Earnings per Share (continued)

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary shares at 31 December 2012 is based on (loss) / profit attributable to ordinary shareholders of (RM28,197,000) (31.12.2011 – RM38,144,000) 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		12 months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
(Loss)/Profit for the period attributable to ordinary equity shareholders (RM'000)	<u>12,775</u>	<u>(1,571)</u>	<u>(28,197)</u>	<u>38,144</u>
Weighted average number of ordinary shares (diluted) at 31 December ('000)	<u>409,906</u>	<u>409,906</u>	<u>409,906</u>	<u>409,906</u>
Diluted earnings per ordinary share (Sen)	<u>(3.12)</u>	<u>(0.38)</u>	<u>(6.88)</u>	<u>9.31</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		12 months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Results from operation activities is arrived at after charging:				
• Depreciation of property, plant and equipment	6,369	4,481	25,213	22,745
• Impairment loss for receivables	1,382	1,722	6,165	6,173
• Interest expense	911	777	3,490	3,254
• Loss/(Gain) on disposal of property, plant and equipment	-	-	696	(3)
• Property, plant and equipment written off	(74)	-	5,247	-
and crediting:				
• Interest income	305	1,111	2,459	4,551

25. Disclosure of Realised and Unrealised Profits

	12 months ended	12 months ended
	31.12.2012	31.12.2011
	RM'000	RM'000
Total retained earnings of Masterskill Education Group Berhad and its subsidiaries		
-Realised	180,752	275,276
-Unrealised	8,259	7,666
Total	189,011	282,942

BY ORDER OF THE BOARD