



MASTERSKILL EDUCATION GROUP BERHAD
 (Company No. 746920-M)
 (Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
AS AT 30 SEPTEMBER 2013 - UNAUDITED		
	As at 30-Sep-13 Unaudited (RM'000)	As at 31-Dec-12 Audited (RM'000)
NON-CURRENT ASSETS		
Property, plant and equipment	149,228	361,960
Intangible assets	46	42,286
Other investments	6,406	10,102
Total Non-Current Assets	155,680	414,348
CURRENT ASSETS		
Available-for-sale land & buildings	178,313	
Receivables, deposits and prepayments	39,123	63,417
Current tax asset	1,636	8,982
Cash and cash equivalents	15,292	32,195
		-
Total Current Assets	234,364	104,594
TOTAL ASSETS	390,044	518,942
EQUITY		
Share capital	81,981	81,981
Share premium	144,225	144,225
Reserves	84,867	196,068
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	311,073	422,274
Non-controlling interests	84	131
TOTAL EQUITY	311,157	422,405
LIABILITIES		
Borrowings (secured)	38,658	47,546
Deferred tax liabilities		
Total Non-Current Liabilities	38,658	47,546
Payables and accruals	19,506	28,268
Borrowings (secured)	20,719	20,719
Income tax payable	4	4
Total Current Liabilities	40,230	48,991
TOTAL LIABILITIES	78,887	96,537
TOTAL EQUITY AND LIABILITIES	390,044	518,942
Net assets per share attributable to owners of the parent (1) (RM)	0.76	1.03
Note:		
(1) computed based on the net assets of the Group divided by 409,905,780 as at 30 September 2013 and 31 December 2012 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 2012 and the accompanying explanatory notes attached to the interim financial statements.		



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE QUARTER ENDED 30 SEPTEMBER 2013 - UNAUDITED**

┌ Equity Attributable to Owners of the Company ┐

	┌ Non-distributable ┐			Distributable	Non-	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	Controlling Interests RM'000	
Balance as at 1 January 2012 (audited)	81,981	144,225	7,156	282,942	-	516,304
Fair value of available-for-sale financial assets	-	-	(108)	-	-	(108)
Loss for the year	-	-	-	(28,192)	-	(28,192)
Dividends to owners of the Company	-	-	-	(65,749)	-	(65,749)
Changes in ownership interest in a subsidiary				19	131	150
Balance as at 31 December 2012 / 1 January 2013 (audited)	81,981	144,225	7,048	189,020	131	422,405
Fair value of available-for-sale financial assets	-	-	(3,695)	-	-	(3,695)
Fair value of available-for-sale land & buildings			27,308			27,308
Loss for the period	-	-	-	(134,827)	(27)	(134,854)
Dividends to owners of the Company	-	-	-	-	-	-
Changes in ownership interest in a subsidiary				13	(20)	(7)
Balance as at 30 September 2013	81,981	144,225	30,661	54,206	84	311,157

	┌ Non-distributable ┐			Distributable	Non-	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	Controlling Interests 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	-	-	(108)	-	-	(108)
Profit for the period	-	-	-	(28,192)	-	(28,192)
Dividends to owners of the Company	-	-	-	(65,749)	-	(65,749)
Changes in ownership interest in a subsidiary				19	131	150
Balance as at 31 December 2012	81,981	144,225	7,048	189,020	131	422,405

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 2012 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 2013 - UNAUDITED		
	As at 30-Sep-13 (Unaudited) (RM'000)	As at 30-Sep-12 (Unaudited) (RM'000)
Cash flows from operating activities		
(Loss) / Profit before tax	(134,849)	(23,126)
Adjustments for:		
Depreciation of property, plant and equipment	17,966	18,844
Impairment loss	88,212	-
Interest expense	2,556	2,579
Interest income	(389)	(2,154)
Loss / (Gain) on disposal of property, plant and equipment	(919)	696
Property, plant and equipment written off	7,476	5,321
Operating profit before changes in working capital	(19,948)	2,160
Change in receivables, deposits and prepayments	24,295	33,155
Change in payables and accruals	(8,763)	15,364
Cash generated from operating activities	(4,416)	50,679
Income tax paid	(69)	(304)
Income tax refund	7,410	8,726
Interest paid	(2,556)	(2,579)
Interest received	389	2,154
Net cash generated from operating activities	757	58,676
Cash flows from investing activities		
Acquisition of subsidiaries	-	-
Acquisition of other investments	-	-
Pledged deposits placed with licensed banks	574	(77)
Acquisition of property, plant and equipment	(11,738)	(45,796)
Proceeds from disposal of property, plant and equipment	2,967	61
Net cash used in investing activities	(8,198)	(45,812)
Cash flows from financing activities		
Proceeds from loans or borrowings	-	26,200
Repayment of borrowings	(6,361)	(7,616)
Repayment of finance lease liabilities	(2,528)	(3,044)
Dividend paid to owners of the Company	-	(65,749)
Net cash used in financing activities	(8,888)	(50,209)
Net decrease in cash and cash equivalents	(16,329)	(37,345)
Cash and cash equivalents at 1 January	31,284	109,735
Cash and cash equivalents at end of reporting period	14,955	72,390
The condensed consolidated statement of cash flows should be read in conjunction with the annual financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.		



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i) Cash and cash equivalents		
Cash and cash equivalents included in the cash flow statements comprise:		
	As at	As at
	30-Sep-13	30-Sep-12
	(Unaudited)	(Unaudited)
	(RM'000)	(RM'000)
Deposits placed with licensed banks	9,995	51,678
Cash and bank balances	5,297	21,641
Cash and cash equivalents	15,292	73,319
Less: Deposits pledged with licensed banks	(337)	(929)
Cash and cash equivalents	14,955	72,390



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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 2012.

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 2012.

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	Colleges	Total
30.9.2013	RM'000	RM'000	RM'000
Segment (loss)/profit before tax	(40,993)	(50,400)	(91,393)
Included in the measure of segment (loss)/profit are:			
Revenue from external customers	20,875	30,425	51,300
Interest income	322	-	322
Interest expense	(1,835)	(721)	(2,556)
Depreciation of property, plant and equipment	(7,618)	(10,346)	(17,964)
Segment assets	231,035	147,342	378,377
Included in the measure of segment assets are:			
Additions to non-current assets other than financial instruments and deferred tax assets	4,950	(777)	4,173
Segment liabilities	(209,472)	57	(209,415)
30.9.2012			
Segment profit before tax	(30,286)	6,226	(24,060)
Included in the measure of segment 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)



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7. Operating Segment (continued)

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

	30.9.2013	30.9.2012
	RM'000	RM'000
Profit or loss		
Total (loss)/profit for reportable segments	(91,393)	(24,060)
Other non-reportable segments	(43,523)	102
Interest income	67	832
Consolidated (loss)/profit before tax	(134,849)	(23,126)
Revenue		
Total revenue for reportable segments	51,300	118,452
Other non-reportable segments	133	53
Consolidated revenue	51,433	118,505
Interest Income		
Total interest income for reportable segments	322	832
Other non-reportable segments	67	1,322
Consolidated total interest income	389	2,154
Assets		
Total assets for reportable segments	378,377	529,159
Other non-reportable segments	193,387	237,548
Elimination of inter-segment	(181,720)	(182,714)
Consolidated total assets	390,044	583,993
Liabilities		
Total liabilities for reportable segments	(209,415)	(281,201)
Other non-reportable segments	(1,743)	(1,149)
Elimination of inter-segment	132,271	133,606
Consolidated total liabilities	(78,887)	(148,744)



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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 2013.

11. Commitments on Capital Expenditure

The capital commitments of the Group as at 30 September 2013 are as follow:

	As at 30.9.2013 (unaudited) RM'000	As at 31.12.2012 (audited) RM'000
Capital commitments		
Property, plant and equipment		
Contracted but not provided for	4,217	22,230

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 9 months ended		Balance outstanding as at	
	30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 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 2013, Masterskill Education Group Berhad (MEGB) recorded a revenue and loss before tax of approximately RM15.6 million and RM104.4 million respectively. Revenue was 56% lower than last year's quarter due to lower student population as a result of graduating students and low intake numbers.

The higher loss before tax was largely due to provision for impairment loss on goodwill and certain of the Group's property, plant and equipment totaling RM88.2 million.

14. Comparison with Preceding Quarter's Results

During the current quarter, the Group's reported an 8.4% higher revenue from RM14.4 million achieved in 2Q 2013 as the preceding quarter included certain fee adjustments.

As a consequence of the consecutive quarterly losses recorded, management has undertaken a review and made certain provisions for impairment losses of the Group's assets as noted in para 13.

15. Commentary on Prospects

The operating environment for the Group remains challenging but management is confident that its new campus in Petaling Jaya, numerous product diversification programmes and marketing strategies that had been put in place will contribute positively towards its future earnings.

15. Variance on Profit Forecast /Profit Guarantee

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

16. Taxation

	Quarter ended		Cumulative to date	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
	RM'000	RM'000	RM'000	RM'000
Income and deferred tax	1	(4,305)	5	(7,704)



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Deferred tax asset is not recognized for unabsorbed tax losses and Investment Tax Allowance because it is not probable that sufficient taxable profit from the qualifying segments will be available against which the benefit can be utilized.

17. Status of Corporate Proposals

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

18. Group Borrowings and Debt Securities

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 30 September 2013.

Borrowings (secured)	As at 30.9.2013 (unaudited) RM'000	As at 31.12.2012 (audited) RM'000
Non-current		
Finance lease liabilities	199	1,581
Secured revolving credit (Islamic)	-	-
Secured term loan (Islamic)	40,600	45,965
	40,799	47,576
Current		
Finance lease liabilities	1,317	2,463
Secured revolving credit (Islamic)	10,074	11,213
Secured term loan (Islamic)	7,187	7,043
	18,578	20,719
	59,377	68,265

19. 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 High Court fixed this matter for further case management on 13.11.2013.



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**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 and 8% interest p.a. calculated from the date of filing of Writ (i.e. 12.04.2010).
- 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.
- The Court of Appeal fixed this matter for Case Management (for Disposal) on 05.12.2013.

**C. Shah Alam High Court Suit No.: 22-783-2010
Ratatek (M) Sdn Bhd -v- Masterskill (M) Sdn Bhd**

- High Court on 16.07.2013 allowed part of Ratatek's claim ie. RM306,000.00, interest on the judgement sum at 4% p.a. calculated from 02.06.2010 until 16.07.2013, interest on the judgement sum at 5% p.a. calculated from 17.07.2013 until full settlement and cost of RM15,000.00.
- An appeal (against the judgement dated 16.07.2013) to the Court of Appeal had been filed. Our appeal for conditional stay of execution pending appeal has been granted by the Court of Appeal on 04.10.2013.

20. Dividends

9 months ended 30.9.2013

No dividend was paid or declared during the nine (9) months ended 30 September 2013.

9 months ended 30.9.2012

	Sen	Total	Date of payment
	Per Share	RM'000	
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>	



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21. Earnings per Share

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated based on the net loss attributable to ordinary shareholders of RM104,423,000 (30.9.2012 – RM15,421,000) and the weighted average number of ordinary shares in issue during the quarter 409,905,780 (30.9.2012 – 409,905,780).

	Current Period		Cumulative Quarter	
	Quarter ended		9 months ended	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
(Loss)/Profit for the period attributable to ordinary equity shareholders (RM'000)	<u>(104,423)</u>	<u>(7,651)</u>	<u>(134,827)</u>	<u>(15,421)</u>
Weighted average number of ordinary shares at 30 June ('000)	<u>409,906</u>	<u>409,906</u>	<u>409,906</u>	<u>409,906</u>
Basic earnings per ordinary share (Sen)	<u>(25.47)</u>	<u>(1.87)</u>	<u>(32.89)</u>	<u>(3.76)</u>

22. Auditors Report on Preceding Annual Financial Statements

There was no qualification to the preceding audited financial statements for the financial year ended 31 December 2012.

23. Additional notes to the Statement of Comprehensive Income

	Current Period		Cumulative Quarter	
	Quarter ended		9 months ended	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
	RM'000	RM'000	RM'000	RM'000
Results from operation activities is arrived at after charging:				
• Depreciation of property, plant and equipment	5,208	6,289	17,966	18,844
• Impairment loss for receivables	2,311	555	5,132	4,783
• Interest expense	822	1,100	2,556	2,579



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• Loss/(Gain) on disposal of property, plant and equipment	(635)	226	(919)	696
• Property, plant and equipment written off	1,955	-	3,010	5,321
• Impairment loss for goodwill and PPE	88,212	-	88,212	-
and crediting:				
• Interest income	89	299	389	2,154

24. Disclosure of Realised and Unrealised Profits

	9 months ended 30.9.2013 RM'000	12 months ended 31.12.2012 RM'000
Total retained earnings of Masterskill Education Group Berhad and its subsidiaries		
-Realised	76,860	211,715
-Unrealised	-	-
Less: Consolidation adjustment	(22,654)	(22,695)
Total	54,206	189,020

BY ORDER OF THE BOARD