

# RAFFLES EDUCATION CORPORATION LIMITED

Company registration Number: 199400712N

## FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

UNAUDITED FULL YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE	Group		
	2013 \$'000	(Restated)* 2012 \$'000	Increase/ (Decrease) %
<b>Revenue</b>	128,377	131,135	(2)
Other operating income	67,153	126,581	(47)
Personnel expenses	(57,224)	(54,758)	5
Depreciation and amortisation expenses	(15,030)	(19,521)	(23)
Other operating expenses	(128,508)	(120,184)	7
Fair value gain/(loss) on investment properties	41,676	(6,327)	NM
Impairment of goodwill	(240)	(51,634)	(100)
Finance costs	(8,504)	(16,008)	(47)
Share of results of associates	252	361	(30)
<b>Profit/(loss) before income tax</b>	27,952	(10,355)	NM
Income tax credit/(expense)	6,546	(48,552)	NM
Profit/(loss) after tax from continuing operations	34,498	(58,907)	NM
<b>Discontinued operations – Note A</b>			
Loss after tax from discontinued operations	(250)	(12,955)	(98)
	34,248	(71,862)	NM
Other comprehensive income:			
Revaluation gain on transferring owner occupied property to investment property	-	1,549	NM
Currency translation differences arising from consolidation of foreign operations	4,296	18,547	(77)
<b>Total comprehensive income/(loss)</b>	38,544	(51,766)	NM
Attributable to:			
<b>Equity holders of the Company</b>	26,672	(66,261)	NM
Non-controlling interests	7,576	(5,601)	NM
<b>Net profit/(loss)</b>	34,248	(71,862)	NM
Attributable to:			
<b>Equity holders of the Company</b>	30,279	(48,791)	NM
Non-controlling interests	8,265	(2,975)	NM
<b>Total comprehensive income/(loss)</b>	38,544	(51,766)	NM

NM – Not meaningful

\* Refer to paragraph 5

**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)**

NOTES TO THE UNAUDITED FULL YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE	Group		
	2013 \$'000	2012 \$'000	Increase/ (Decrease) %
<b>Continuing operations</b>			
Interest income <sup>1,2</sup>	1,660	1,736	(4)
Government grant <sup>1</sup>	7,326	-	NM
Government grant on OUC land restructuring <sup>1</sup>	-	90,140	NM
Net reversal on provision for land restructuring costs in OUC <sup>1</sup>	37,585	-	NM
Gain on disposal of investment properties <sup>1</sup>	14,637	-	NM
Gain on disposal of available-for-sale financial assets <sup>1</sup>	-	8,856	NM
Gain on disposal of interests in subsidiary <sup>1</sup>	19	15,964	(100)
Foreign exchange gain <sup>1</sup>	2,896	4,103	(29)
Foreign exchange loss <sup>3</sup>	(2,950)	(1,691)	74
Allowance for doubtful trade receivables <sup>3</sup>	(377)	(306)	23
Bad trade receivables written off <sup>3</sup>	(605)	(229)	164
Bad non-trade receivables written off <sup>3</sup>	(4,554)	-	NM
Provision for land restructuring costs in OUC <sup>3</sup>	-	(39,740)	NM
Compensation for early termination of tenancy agreement <sup>3</sup>	-	(6,917)	NM
Loss on disposal of investment properties <sup>3</sup>	(60)	-	NM
Net reversal of government grant receivable for OUC land restructuring <sup>3</sup>	(57,116)	-	NM
Rental expenses <sup>3</sup>	(11,682)	(12,019)	(3)
Share-based payments <sup>4</sup>	(7)	(357)	(98)
Amortisation of finance charge on non-current payables <sup>5</sup>	(435)	(10,359)	(96)
Over/(under) provision of income tax expense in prior periods	51,083	(10,408)	NM

NM – Not meaningful

<sup>1</sup> included in other operating income

<sup>2</sup> included amortization of finance income on non-current receivable of \$912,000 (FY2012: \$889,000)

<sup>3</sup> included in other operating expenses

<sup>4</sup> included in personnel expenses

<sup>5</sup> included in finance cost

Note A :

	Group	
	2013 \$'000	2012 \$'000
<b>Discontinued operations</b>		
Revenue	-	6,934
Other operating income	563	282
Impairment of goodwill	-	(7,344)
Expenses	(679)	(12,857)
Loss before tax from discontinued operations	(116)	(12,985)
Income tax (expense)/income	(134)	30
Net loss from discontinued operations	(250)	(12,955)

**1(b)(i). A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE	Group		Company	
	2013 \$'000	Restated* 2012 \$'000	2013 \$'000	2012 \$'000
<b>Non-current assets</b>				
Property, plant and equipment	304,417	169,379	-	-
Investment properties	368,006	411,821	-	-
Investment in subsidiaries	-	-	300,031	301,152
Investment in associates	1,304	1,262	-	-
Available-for-sale financial assets	616	609	-	-
Intangible assets	129,037	131,609	157	172
Deferred tax assets	857	700	-	-
Other receivables	-	21,888	-	-
	804,237	737,268	300,188	301,324
<b>Current assets</b>				
Inventories	109	128	-	-
Trade and other receivables	151,741	134,539	286,606	274,391
Cash and cash equivalents	70,895	42,143	8,277	111
	222,745	176,810	294,883	274,502
Assets classified as held for sale	41,101	255,847	-	-
	263,846	432,657	294,883	274,502
Less:				
<b>Current liabilities</b>				
Trade and other payables	103,705	289,508	62,173	67,934
Course and education service deferred income	16,690	15,405	-	-
Income tax payable	50,486	79,687	421	1,543
Borrowings	47,736	167,960	19,000	140,000
	218,617	552,560	81,594	209,477
<b>Net current assets/(liabilities)</b>	45,229	(119,903)	213,289	65,025
Less:				
<b>Non-current liabilities</b>				
Trade and other payables	46,363	24,613	-	-
Borrowings	178,517	47,450	127,962	-
Deferred tax liabilities	21,289	3,975	-	-
	246,169	76,038	127,962	-
<b>Net assets</b>	603,297	541,327	385,515	366,349
<b>Capital and reserves</b>				
Share capital	481,785	458,079	481,785	458,079
Treasury shares	(21,383)	(21,383)	(21,383)	(21,383)
Reserves	94,016	63,713	(74,887)	(70,347)
Equity attributable to equity holders of the Company	554,418	500,409	385,515	366,349
Non-controlling interests	48,879	40,918	-	-
	603,297	541,327	385,515	366,349

\* Refer to paragraph 5

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

<b>GROUP BORROWINGS AND DEBTS SECURITIES</b>	<b>Group</b>	
	<b>2013 \$'000</b>	<b>2012 \$'000</b>
<b><u>Amount repayable in one year or less, or on demand:</u></b>		
Secured	4,800	3,600
Unsecured	42,936	164,360
	47,736	167,960
<b><u>Amount repayable after one year:</u></b>		
Secured	50,555	47,450
Unsecured	127,962	-
	178,517	47,450
<b>Total borrowings</b>	<b>226,253</b>	<b>215,410</b>

**Details of collateral**

The bank borrowings were secured by letter of guarantee by the Company and certain properties of the Group.

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

<b>UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE</b>	<b>2013 \$'000</b>	<b>2012 \$'000</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax from continuing operations	27,952	(10,355)
Loss before income tax from discontinued operations	(116)	(12,985)
	27,836	(23,340)
Adjustments for:		
Allowance for doubtful debts	377	306
Amortisation of intangible assets	2,623	2,619
Bad trade receivables written off	605	353
Bad non-trade receivables written off	4,554	-
Depreciation for property, plant and equipment	12,411	17,108
Fair value (gain)/ loss on investment properties	(41,676)	6,327
Gain on disposal of subsidiaries	(19)	(15,964)
Gain on disposal of available-for-sale financial assets	-	(8,856)
Net gain on disposal of investment properties	(14,577)	-
Interest expense	8,504	16,008
Interest income	(1,660)	(1,864)
Net (gain)/ loss on disposal of property, plant and equipment	(11)	174
Property, plant and equipment written down	211	46
Impairment of goodwill	240	58,978
Share of results of associates	(252)	(361)
Share-based payments	7	357
Operating (loss)/profit before working capital changes	(827)	51,891
Working capital changes:		
Trade and other receivables	65,804	(94,326)
Inventories	19	(6)
Course and education service deferred income	1,285	3,823
Trade and other payables	(45,965)	69,076
Cash from operations	20,316	30,458
Interest paid	(5,804)	(5,648)
Interest received	747	975
Income and withholding tax paid	(6,250)	(12,017)
Net cash from operating activities	9,009	13,768
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	952	234
Proceeds from sale of investment properties	28,848	-
Proceeds from sale of available-for-sale financial assets	-	12,836
Cash received/(disposed) from sale of interest in subsidiary#	776	(1,629)
Advance payment for development cost of new projects	(3,041)	(751)
Deposits from disposal of investment properties	-	17,507
Purchase of property, plant and equipment	(23,001)	(19,673)
Payment of remaining purchase consideration for acquisition of subsidiaries	-	(20,895)
Acquisition of non-controlling interest	-	(43)
Addition of investment properties	(17,662)	-
Additions of development costs	(296)	(2,474)
Additions of computer software	-	(428)
Additions of trademarks	(1)	(35)
Investment in available-for-sale financial asset	-	(1)
Investment in subsidiary by non-controlling interests	-	2,172
Dividends received from associate	210	341
Net cash used in investing activities	(13,215)	(12,839)

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)**

<b>UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE</b>	<b>2013 \$'000</b>	<b>2012 \$'000</b>
<b>Cash flows from financing activities</b>		
Net proceeds from rights issue	23,706	-
Net proceeds from bonds issue	127,812	-
Draw down of borrowings	9,305	18,000
Repayment of borrowings	(126,686)	(35,490)
Dividend payments to equity holders of the Company	-	(3,845)
<b>Net cash from/(used in) financing activities</b>	<b>34,137</b>	<b>(21,335)</b>
Net change in cash and cash equivalents	29,931	(20,406)
Cash and cash equivalents at beginning of financial year	42,143	64,768
Net effect of exchange rate changes	(1,179)	(2,219)
<b>Cash and cash equivalents at end of financial year</b>	<b>70,895</b>	<b>42,143</b>

# The carrying amount of the identifiable assets and liabilities of the subsidiary as at the date of sale of interests were as follows:

<b>Sale of interests in subsidiary</b>	<b>2013 \$'000</b>	<b>2012 \$'000</b>
Non-current assets	59	26,796
Current assets	1,581	6,971
Current liabilities	(596)	(1,550)
Non-controlling interests	(304)	(596)
Reserves	17	1,254
<b>Net assets disposed</b>	<b>757</b>	<b>32,875</b>
Gain on sale of interest	19	15,964
<b>Total sale proceeds</b>	<b>776</b>	<b>48,839</b>
Proceeds receivable from buyer	-	(48,161)
Cash received	776	575
Cash disposed in the sale of interests	-	(2,882)
<b>Net cash proceeds from disposal of subsidiary</b>	<b>776</b>	<b>(1,629)</b>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

### UNAUDITED STATEMENTS OF CHANGES IN EQUITY

GROUP	Attributable to equity holders of the Company							Non-controlling Interests	Total Equity
	Share Capital	Treasury Shares	Revaluation reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated profits	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
<b>FY2013</b>									
<b>Balance at 1 July 2012 (restated*)</b>	458,079	(21,383)	1,255	(12,759)	2,446	72,771	500,409	40,918	541,327
Total comprehensive income	-	-	-	3,607	-	26,672	30,279	8,265	38,544
Issue of shares	23,706	-	-	-	-	-	23,706	-	23,706
Share-based payments	-	-	-	-	7	-	7	-	7
Disposal of interest in subsidiary	-	-	-	17	-	-	17	(304)	(287)
<b>Balance at 30 June 2013</b>	<b>481,785</b>	<b>(21,383)</b>	<b>1,255</b>	<b>(9,135)</b>	<b>2,453</b>	<b>99,443</b>	<b>554,418</b>	<b>48,879</b>	<b>603,297</b>
<b>FY2012</b>									
<b>Balance at 1 July 2011</b>	458,079	(21,383)	-	(30,332)	2,089	153,441	561,894	44,855	606,749
Effect of adopting the Amendments to FRS 12*	-	-	-	-	-	(10,495)	(10,495)	(2,461)	(12,956)
<b>Restated balance</b>	<b>458,079</b>	<b>(21,383)</b>	<b>-</b>	<b>(30,332)</b>	<b>2,089</b>	<b>142,946</b>	<b>551,399</b>	<b>42,394</b>	<b>593,793</b>
Total comprehensive income (restated*)	-	-	1,255	16,215	-	(66,261)	(48,791)	(2,975)	(51,766)
Share-based payments	-	-	-	-	357	-	357	-	357
Acquisition of non-controlling interest in subsidiary	-	-	-	-	-	-	-	(42)	(42)
Acquisition interest by NCI	-	-	-	104	-	(69)	35	2,137	2,172
Disposal of interest in subsidiary	-	-	-	1,254	-	-	1,254	(596)	658
Dividends	-	-	-	-	-	(3,845)	(3,845)	-	(3,845)
<b>Balance at 30 June 2012</b>	<b>458,079</b>	<b>(21,383)</b>	<b>1,255</b>	<b>(12,759)</b>	<b>2,446</b>	<b>72,771</b>	<b>500,409</b>	<b>40,918</b>	<b>541,327</b>

\* Refer to paragraph 5

COMPANY	Share capital	Treasury shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>FY2013</b>				
<b>Balance at 1 July 2012</b>	458,079	(21,383)	2,446	(72,793)	366,349
Total comprehensive loss	-	-	-	(4,547)	(4,547)
Issue of shares	23,706	-	-	-	23,706
Share-based payments	-	-	7	-	7
<b>Balance at 30 June 2013</b>	<b>481,785</b>	<b>(21,383)</b>	<b>2,453</b>	<b>(77,340)</b>	<b>385,515</b>
<b>FY2012</b>					
<b>Balance at 1 July 2011</b>	458,079	(21,383)	2,089	(21,467)	417,318
Total comprehensive loss	-	-	-	(47,481)	(47,481)
Share-based payments	-	-	357	-	357
Dividends	-	-	-	(3,845)	(3,845)
<b>Balance at 30 June 2012</b>	<b>458,079</b>	<b>(21,383)</b>	<b>2,446</b>	<b>(72,793)</b>	<b>366,349</b>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

#### **SHARE CAPITAL**

On 27 August 2012, the Company announced a renounceable non-underwritten rights issue at an issue price of \$0.14 for each rights share, on the basis of one rights share for every five ordinary shares in the capital of the Company. On 23 October 2012, pursuant to the rights issue, the Company issued and allotted 170,893,872 new ordinary shares resulting in the number of issued and paid up shares of the Company increasing from 854,469,361 (excluding treasury shares) to 1,025,363,233 Shares (excluding treasury shares).

During the financial year ended 30 June 2013, no ordinary shares were issued in respect of the conversion of share options.

As at 30 June 2013, the company has 1,045,295,233 issued and fully paid ordinary shares (including 19,932,000 treasury shares).

#### **SHARE OPTIONS**

As at 30 June 2013, there was unexercised share option for 3,610,250 unissued ordinary shares (30 June 2012: 4,197,893) under the Raffles Education Corporation Employees' Share Option Schemes.

#### **TREASURY SHARES**

As at 30 June 2013, there were 19,932,000 treasury shares (30 June 2012: 19,932,000).

- 1(d)(iii) To show total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.**

The total number of issued shares was 1,025,363,233 (excluding treasury shares) as at 30 June 2013 (30 June 2012: 854,469,361)

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial period ended 30 June 2013.

- 2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Review Engagements (SSRE) 2400, or an equivalent standard)**

The figures have not been audited or reviewed.



**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has consistently applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited annual financial statements as at 30 June 2013.

In the current financial year, the Group has adopted all applicable new/amended/revised Singapore Financial Reporting Standards ("FRS") and Interpretation of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year beginning on 1 July 2012. Except as stated in Note 5 below, the adoption of these new/revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

On 1 July 2012, the Group adopted the Amendments to FRS 12 – *Deferred Taxes: Recovery of Underlying Assets* that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provision in the FRS.

The Amendments to FRS 12 apply to the measurement of deferred tax liabilities and assets arising from investment properties measured using the fair value model under FRS 40 *Investment Property*, including investment property acquired in business combination and subsequently measured using the fair value model. For the purposes of measuring deferred tax, the amendments have introduced a rebuttable presumption that carrying amount of an investment property measured at fair value will be recovered entirely through sale. The presumption can be rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

The Group previously provided for deferred tax liabilities for its investment properties in OUC on the basis that the carrying amount of the investment properties will be recovered through use. The Group has determined that deferred tax liabilities for certain investment properties which is held under the business model of education facilities, leasing to universities or colleges and commercial leasing for supporting such education facilities will continue to be recovered through use. Upon adoption of the Amendments to FRS 12, except for above mentioned investment properties, there is presumption that the carrying amount of the other investment property measured at fair value will be recovered entirely through sale.

The change in accounting policy has been applied retrospectively and comparatives have been restated accordingly.

The following comparative figures as at 30 June 2011 and 30 June 2012 have been restated as a result of the above restatement.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change (Cont'd)

(Group)	2012 (as restated) \$'000	2012 (as previously reported) \$'000
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED</b>		
Income tax expense from continuing operations	(48,552)	(61,508)
Attributable to:		
Equity holder of the company	(66,261)	(76,756)
Non-controlling interests	(5,601)	(8,062)
<b>Net loss</b>	<b>(71,862)</b>	<b>(84,818)</b>
Attributable to:		
Equity holder of the company	(48,791)	(59,286)
Non-controlling interests	(2,975)	(5,436)
<b>Total comprehensive loss</b>	<b>(51,766)</b>	<b>(64,722)</b>

(Group)	30/06/11 (as restated) \$'000	30/06/11 (as previously reported) \$'000
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>		
Deferred tax liabilities	33,714	20,758
<b>Non-current liabilities</b>	<b>285,566</b>	<b>272,610</b>
<b>Net assets</b>	<b>593,793</b>	<b>606,749</b>
Reserves	114,703	125,198
Non-controlling interests	42,394	44,855
<b>Capital and reserves</b>	<b>593,793</b>	<b>606,749</b>

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Earnings Per Share (EPS) based on net profit attributable to shareholders of the Group for financial year ended 30 June	Group		Change +/(-) %
	2013	Restated# 2012	
i) Based on the weighted average number of shares (in cents)	2.66	(6.91)	NM
- Weighted average number of shares	1,004,413,517	958,287,388	
ii) On a fully diluted basis (in cents)	2.66	(6.91)	NM
- Adjusted weighted average number of shares	1,004,413,517	958,289,132	

**6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends (Cont'd)**

EPS based on net profit from continuing operations attributable to shareholders of the Group for the financial year ended 30 June	Group		Change +/- %
	2013	Restated# 2012	
i) Based on the weighted average number of shares (in cents)	2.68	(5.56)	NM
- Weighted average number of shares	1,004,413,517	958,287,388	
ii) On a fully diluted basis (in cents)	2.68	(5.56)	NM
- Adjusted weighted average number of shares	1,004,413,517	958,289,132	

# On 23 October 2012, the Company issued and allotted 170,893,872 new ordinary shares in capital of the Company pursuant to a renounceable and non-underwritten right issue on the basis of one right share for every five existing ordinary shares in the capital of the Company. The right shares were offered at \$0.14 per share and represented a discount to the fair value of existing shares. The number of shares used for prior period calculation of earnings per share was adjusted for the rights issue. An adjustment factor of 1.1215 was applied based on the Company's share price of \$0.400 per share on 24 September 2012, and the theoretical ex-right price at that date of \$0.357 per share.

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

**NET ASSET VALUE (NAV)**

NET ASSET VALUE (NAV)	Group		Change +/- %	Company		Change +/- %
	2013	Restated 2012		2013	2012	
NAV per ordinary share	54.07	58.56	(7.7)	37.60	42.87	(12.3)

The Net asset value computation is based on the number of shares at the end of the period.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

#### **COMMENTARY ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME**

1. Group revenue decreased by 2% from \$131.1 million for FY2012 to \$128.4 million for FY2013 taking into account the following:
  - a) Increase in Asia Pacific (Ex-People's Republic of China "PRC") revenue by \$4.4 million from \$52.9 million in FY2012 to \$57.3 million in FY2013;
  - b) Decrease in PRC revenue by \$7.1 million from \$78.2 million in FY2012 to \$71.1 million in FY2013.
  
2. The decrease in other operating income from \$126.6 million for FY2012 to \$67.2 million for FY2013 was mainly due to:
  - a) absence of \$90.1 million government grant receivable for the restructuring of land in OUC which was recognized in FY2012;
  - b) absence of gain of \$15.9 million on sale of 50% equity interest in Value Vantage Pte. Ltd in FY2012;
  - c) absence of gain of \$8.9 million on disposal of an available-for-sale financial assets in an unquoted equity interests in FY2012.

The decrease was partially offset by:

  - d) the gain of \$14.6 million on sale of 118 mu land in OUC in FY2013.
  - e) \$7.3 million government grant received as funds for education development in OUC in FY2013.
  - f) net reversal of provision for land restructuring cost in OUC amounting to \$37.6 million (as per in FY2012 Full Year Results Announcement on 24 August 2012 paragraph 8 item 4 A), which is no longer required after having obtained confirmation from relevant governmental authority on 1 April 2013.
  
3. Increase in other operating expenses from \$120.2 million for FY2012 to \$128.5 million for FY2013 was mainly due to :
  - a) the net reversal of government grant receivable of \$57.1 million in relation to OUC land restructuring (as per in FY2012 Full Year Results Announcement on 24 August 2012 paragraph 8 item 2 A), largely due to the provision for land restructuring cost (as stated in paragraph 8 item 2 f) being no longer required.
  - b) The increase was partially offset by:
    - i) absence of \$39.7 million provision for land restructuring cost in OUC for FY2012;
    - ii) absence of \$6.9 million compensation for early termination of tenancy agreement in OUC incurred in FY2012.

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (Cont'd)**

4. Fair value gain of \$41.7 million (FY2012: \$6.3 million loss) was recognized in FY 2013 and includes :
  - a) \$1.4 million gain for the valuation of Raffles Education Square at 51 Merchant Road, Singapore before the property become owner-occupied and was transferred to property, plant and equipment;
  - b) \$1.7 million gain from the land in Iskandar, Malaysia; and
  - c) \$38.6 million gain from OUC.
5. Impairment of goodwill in FY2012 consists mainly of goodwill arising from previous acquisition of Hartford Education Corporation Pte. Ltd. of \$43.1 million (a \$7.3 million goodwill impairment was included under loss from discontinued operations in relation to our college in Hanoi, Vietnam).
6. Decrease in finance costs from \$16.0 million for FY2012 to \$8.5 million for FY2013 was mainly due to the absence of amortization of finance charge for non-current purchase consideration in OUC.
7. Income tax credit of \$6.5 million (FY2012: \$48.6 million expenses) in FY2013 consist of the current year income tax expense of \$44.7 million offset by the overprovision of prior years income tax amounting to \$51.1 million.

Current year income tax expense for FY2013 of \$44.7 million is mainly contributed by the deferred tax expense in OUC for the fair value of investment properties of \$16.6 million and current year provision of income tax expense on land restructuring in OUC of \$14.3 million.

Overprovision of prior years income tax of \$51.1 million include the reversal of \$33.8 million provision of income tax expense on land restructuring in OUC previously recognized in FY2012.

8. Loss from discontinued operations pertained to the results of subsidiaries in Vietnam ("Raffles Vietnam"). The Group has suspended operations in Vietnam since December 2011.
9. Non-controlling interests was mainly the non-controlling shareholders' share of profits in OUC.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (Cont'd)**

#### **COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION**

10. Property, plant and equipment increased from \$169.4 million in FY2012 ("ended 30 June 2012") to \$304.4 million in FY2013 ("ended 30 June 2013") mainly due to:

- a) net additions of \$54.4 million for the financial year;
- b) reclassification from investment property of \$94.0 million ;
- c) foreign currency translation gain of \$0.3 million

The increase was partially offset by depreciation charge of \$12.4 million and disposal of property, plant and equipment of \$1.0 million.

11. The decrease of investment properties from \$411.8 million in FY2012 to \$368.0 million in FY2013 was mainly due to:

- a) disposal of investment properties of \$17.1 million;
- b) reclassification to property, plant and equipment of \$94.0 million;

However, the decrease was offset by revaluation gain of \$41.7 million, additions of \$21.4 million and foreign currency gain of \$4.2 million.

12. Non-current other receivable of \$21.9 million in FY2012 related to receivable on sale of 50% equity interest in Value Vantage Pte. Ltd ("VVPL") which has been reclassified to current other receivable in FY2013 as per paragraph 8 item 13a) below.

13. Current trade and other receivables increased from \$134.5 million in FY2012 to \$151.7 million in FY2013 were mainly due to:

- a) non-current other receivable of \$21.9 million in FY12 has been reclassified to current other receivables as per paragraph 8 item 12 above;
- b) other receivables of \$31.9 million is the balance of outstanding purchase consideration arising from the disposal of 670mu of land and properties to Langfang International Golf Club Co., Ltd in OUC. In August 2013, \$23.9 million out of the \$31.9 million was paid by Langfang International Golf Club Co., Ltd as per paragraph 8 item 17 below;
- c) \$32.7 million of receivable from Langfang Tian Ying Trading & Commercial Co., Ltd for the disposal of 118 mu land and properties in OUC;

However the increase was partially offset by:

- d) the reversal of government grant receivable of \$57.1 million recognised in FY2012 as reflected in paragraph 8 item 3 above;
- e) other receivables written off amounting to \$4.6 million.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (Cont'd)**

#### **COMMENTARY ON THE GROUP STATEMENT OF FINANCIAL POSITION (CONT'D)**

14. Current trade and other payables decreased from \$289.5 million in FY2012 to \$103.7 million in FY2013 mainly due to:
- a) \$130.9 million for the outstanding balance of purchase consideration payable for OUC has been novated to Langfang International Golf Club Co., Ltd as part payment for sale of 670 mu land and properties in OUC in FY2013.
  - b) \$24.6 million of deposit received from Langfang International Golf Club Co., Ltd in FY2012 for the disposal of 670 mu land and properties in OUC has been recognized as sales proceeds.
  - c) \$37.6 million for the net reversal of provision for land restructuring cost in OUC as reflected in paragraph 8 item 2f) above.

However, the decrease was offset by increase of \$2.8 million due to land purchase by Raffles American School in FY2013.

15. Assets classified as held for sale of \$41.1 million in FY2013 mainly related to the pending sale of remaining 50% equity interests in VVPL.

Assets classified as held for sale in FY2012 consisted of the sale of 670 mu land and properties in OUC and pending sale of remaining 50% equity interest in VVPL. The sale of 670 mu land and properties was completed during the year.

16. Income tax payable decreased from \$79.7 million in FY2012 to \$50.5 million in FY2013 mainly due to the net reversal for provision of income tax in relation to land restructuring in OUC amounting to \$19.6 million.
17. Current borrowings decreased from \$168.0 million in FY2012 to \$47.7 million in FY2013 was mainly due to repayment of \$126.7 million during the year. In August 2013, the borrowings of \$47.7 million was further reduced by \$23.9 million paid by Langfang International Golf Club Co., Ltd as per paragraph 8 item 13b) above.
18. Non-current borrowings increased from \$47.5 million in FY2012 to \$178.5 million in FY2013 mainly due to \$130 million bond issuance during the year.
19. Non-current trade and other payables increased from \$24.6 million in FY2012 to \$46.4 million in FY2013 mainly due to the addition of \$22.2 million payable for the land in Iskandar, Malaysia for the Raffles American School development.
20. Deferred tax liabilities increased from \$4.0 million in FY2012 to \$21.3 million in FY2013 mainly due to the provision for deferred tax arising from the fair value gain in OUC.
21. Non-controlling interests as at 30 June 2013 represent mainly the non-controlling shareholders' equity interests in OUC.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (Cont'd)**

**COMMENTARY ON THE GROUP STATEMENT OF CASHFLOWS**

22. Net cash inflow from operations amounted to \$9.0 million.
23. Other major cash outflows were for the repayment to borrowings of \$126.7 million, payment of property, plant and equipment of \$23.0 million, payment of investment properties of \$17.7 million and advance payment for development cost of new project of \$3.0 million.
24. Major contributor of cash inflows was the net proceeds from bonds issue of \$127.8 million, net proceeds from right issue of \$23.7 million, drawdown of borrowings of \$9.3 million and \$28.8 million from the sale of investment properties.
25. The Group's cash position is \$70.9 million at the end of FY2013 (FY2012: \$42.1 million).

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

Not applicable.

10. **A commentary at the date of the announcement of the 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.**

The Group is seeing growth in revenue from its Ex-PRC expansion.

The Group will continue to strengthen its existing operations to improve performance.



**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

No

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect**

Not applicable.

**13. If the Group has obtained a general mandate from shareholders for Interested Person Transactions (IPT), 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 Company has not obtained any general mandate from its shareholders for interested party transactions.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
**(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

15(a)(i) Business Segments

**2013**

	Private Education System \$'000	National Education System \$'000	OUC Assets & Education Management \$'000	Raffles K12 \$'000	Corporate & Others \$'000	Total \$'000
Revenue from external Customers	78,265	26,124	23,469	330	189	128,377
Inter-segment revenue	4,483	-	-	-	57,852	62,335
Interest income	392	336	20	-	912	1,660
Fair value gain on investment properties	1,754	-	38,558	-	1,364	41,676
Finance cost	(7)	-	(2,156)	(437)	(5,904)	(8,504)
Depreciation and Amortisation	(4,777)	(2,546)	(5,049)	(187)	(2,471)	(15,030)
Impairment of goodwill	(129)	-	(6)	-	(105)	(240)
Reportable segment profit/(loss) before income tax	14,348	8,551	25,608	(2,036)	(18,519)	27,952
Share of results from Associates	(22)	-	-	-	274	252
Net profit/(loss) from continuing operations for the financial year	13,412	8,535	34,193	(2,036)	(19,606)	34,498
Discontinued operation: Net loss for the financial year	(250)	-	-	-	-	(250)
<u>Other information:</u>						
Additions to property, plant and equipment	3,840	13,944	1,014	29,537	6,031	54,366
Additions to investment Properties	-	-	3,752	-	17,662	21,414
Additions to intangibles	276	-	-	20	1	297
Investment in associates	981	-	-	-	323	1,304
Asset classified as held for sale	91	41,010	-	-	-	41,101
Segment assets	69,648	135,865	491,257	30,407	138,813	865,990
Segment liabilities	(65,692)	(9,141)	(59,425)	(25,359)	(233,394)	(393,011)

**14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year (Cont'd)**

15(a)(i) Business Segments (Cont'd)

**2012**

	<b>Private Education System \$'000</b>	<b>National Education System \$'000</b>	<b>OUC Assets &amp; Education Management \$'000</b>	<b>Corporate &amp; Others \$'000</b>	<b>Total \$'000</b>
Revenue from external Customers	77,967	26,812	24,948	1,408	131,135
Inter-segment revenue	3,712	73	-	55,299	59,084
Interest income	323	501	20	892	1,736
Fair value (loss)/gain on investment properties	-	-	(16,976)	10,649	(6,327)
Finance cost	(7)	-	(10,915)	(5,086)	(16,008)
Depreciation and Amortization	(5,579)	(3,640)	(7,676)	(2,626)	(19,521)
Impairment of goodwill	(49,652)	-	(1,977)	(5)	(51,634)
Reportable segment profit/(loss) before income tax	(37,550)	8,516	8,166	10,513	(10,355)
Share of results from Associates	(22)	-	-	383	361
Net profit/(loss) from continuing operations for the financial year (restated)	(41,462)	8,460	(28,551)	2,646	(58,907)
Discontinued operations: Net loss for the financial year	(12,955)	-	-	-	(12,955)
<u>Other information:</u>					
Additions to property, plant and equipment	14,540	26,546	906	3,629	45,621
Additions to investment Properties	-	-	-	9,474	9,474
Additions to intangibles	300	-	-	2,637	2,937
Investment in associates	1,002	-	-	260	1,262
Assets classified as held for sale	88	40,984	214,775	-	255,847
Segment assets	32,962	124,018	675,367	161,864	994,211
Segment liabilities	(44,596)	(4,731)	(243,702)	(251,908)	(544,937)

**14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year (Cont'd)**

14 (a)(ii) Geographical segments

	Asean S\$'000	North Asia S\$'000	South Asia S\$'000	Australasia S\$'000	Total S\$'000
<b>2013</b>					
Continuing operations:					
Revenue from					
external customers	31,817	72,636	7,930	15,994	128,377
Non-current assets	182,230	581,285	28,141	11,108	802,764
<b>2012</b>					
Continuing operations:					
Revenue from					
external customers	29,453	79,736	6,459	15,487	131,135
Non-current assets	156,938	543,766	23,919	11,290	735,913

**15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

The percentage of turnover in FY2013 for Private Education System ("PES"), National Education System ("NES") and OUC is approximately 61.0% (FY2012: 59.5%), 20.3% (FY2012: 20.4%) and 18.3% (FY2012: 19.0%) respectively.

Turnover from Asean, South Asia and Australasia increased in FY2013 as compared to FY2012 despite the overall drop for the group due to higher student enrollment.

**16. A breakdown of sales**

	Group (Restated)		Increase/ (Decrease)
	30/06/13 S\$'000	30/06/12 S\$'000	%
(a) Sales reported for first half year	65,894	65,220	1
(b) Profit after tax reported for first half year	12,737	17,450	(27)
(c) Sales reported for second half year	62,483	65,915	(5)
(d) Profit/(loss) after tax reported for second half year	21,761	(76,357)	NM

**17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year (\$'000)	Previous Full Year (\$'000)
Ordinary	0	0
Preference	0	0
Total:	0	0

**18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Doris Chung Gim Lian	44	Wife of Mr. Chew Hua Seng, Chairman and CEO of Raffles Education Education Corporation Limited ("REC")	Director of Operations since 2009	Nil

**BY ORDER OF THE BOARD**

**Chew Hua Seng**  
**Chairman**  
**23 August 2013**