

Section 3

Financial Position and Performance

13. Financial Highlights

13.1 Summary of Financial Statement

- **Financial Statement for year-end, as of December 31, 2013 2012 and 2011:**

The accounting auditor has expressed non-binding opinions towards the financial statement.

The auditor is Miss Pimjai Manitkajohnkit, Miss Rungnapa Lertsuwanku and Mr. Chayapol

Suppasertanon from EY Office Limited (formerly known as 'Ernst & Young Office Limited').

13.2 Financial Statement

SE-EDUCATION PUBLIC COMPANY LIMITED and its subsidiaries

Statement of financial position

As at 31 December 2013 2012 and 1 January 2012

(Unit : Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
		(Restated)			(Restated)	
Assets						
Current assets						
Cash and cash equivalents	160,199	346,948	570,314	126,641	343,504	540,048
Current investments	22,000	168,391	178,856	22,000	168,391	178,856
Trade and other receivables	102,149	104,224	132,414	99,031	100,829	116,604
Short-term loan to subsidiaries	-	-	-	-	15,044	15,024
Inventories	373,685	401,338	396,082	370,385	400,167	394,433
Other current assets	40,088	66,716	39,924	41,022	65,320	37,643
Total current assets	698,121	1,087,618	1,317,589	659,079	1,093,256	1,282,609
Non-current assets						
Restricted bank deposits and other investments	14,582	12,578	12,390	14,582	12,578	12,390
Investments in subsidiaries	-	-	-	70,482	69,432	69,432
Investments in associate	25,684	25,971	26,221	100	100	100
Property, plant and equipment	1,612,839	1,251,681	844,502	1,379,322	1,006,733	656,326
Leasehold right on land	6,701	7,036	7,372	-	-	-
Leasehold right on buildings	87,409	98,836	110,295	87,409	98,836	110,295
Intangible assets	7,980	7,894	5,343	7,843	7,711	5,110
Prepaid book copyright and translation fee	23,153	22,510	27,179	23,153	22,510	27,179
Rental guarantee and deposit	108,176	104,759	92,243	108,176	104,759	92,243
Deferred tax assets	14,488	3,094	21,819	14,488	3,094	21,819
Other non-current assets	330	6,265	15,031	285	6,234	14,806
Total non-current assets	1,901,343	1,540,625	1,162,394	1,705,841	1,331,988	1,009,700
Total assets	2,599,464	2,628,243	2,479,984	2,364,920	2,425,244	2,292,309

The accompanying notes are an integral part of the financial statements.

SE-EDUCATION PUBLIC COMPANY LIMITED and its subsidiaries

Statement of financial position (continued)

As at 31 December 2013 2012 and 1 January 2012

(Unit : Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	(Restated)			(Restated)		
Liabilities and shareholders' equity						
Current liabilities						
Short-term loans from financial institutions	100,000	-	-	100,000	-	-
Trade and other payables	1,264,428	1,459,103	1,500,207	1,258,625	1,452,020	1,494,765
Short-term loans from other person	-	-	3,400	-	-	-
Current portion of long-term loans	20,700	-	-	-	-	-
Income received in advance recognisable						
within one year	39,728	33,801	28,948	-	-	-
Income tax payable	7,097	16,614	34,178	7,097	16,614	34,178
Current portion of provision for						
long-term employee benefits	9,202	8,770	6,122	9,202	8,770	6,122
Other current liabilities	57,599	46,910	37,958	56,460	45,779	36,903
Total current liabilities	1,498,755	1,565,197	1,610,813	1,431,385	1,523,183	1,571,968
Non-current liabilities						
Income received in advance	9,079	2,695	5,303	-	-	-
Long-term loans from director	500	-	-	-	-	-
Long-term loans, net of current portion	75,280	74,710	64,600	-	-	-
Provision for long-term employee benefits	36,710	39,695	39,620	34,525	38,078	38,185
Other non-current liabilities	8,641	9,066	8,510	8,625	8,990	8,465
Total non-current liabilities	130,209	126,167	118,034	43,150	47,068	46,650
Total liabilities	1,628,964	1,691,364	1,728,846	1,474,535	1,570,251	1,618,618

The accompanying notes are an integral part of the financial statements.

SE-EDUCATION PUBLIC COMPANY LIMITED and its subsidiaries

Statement of financial position (continued)

As at 31 December 2013 2012 and 1 January 2012

(Unit : Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
	(Restated)			(Restated)		
Shareholders' equity						
Share capital						
Registered						
391,944,529 ordinary shares of Baht 1 each						
(31 December 2012: 356,313,243 ordinary shares of Baht 1 each)						
(1 January 2012: 323,921,130 ordinary shares of Baht 1 each)	391,945	356,313	323,921	391,945	356,313	323,921
Issued and paid-up						
391,944,418 ordinary shares of Baht 1 each						
(31 December 2012: 356,313,209 ordinary shares of Baht 1 each)						
(1 January 2012: 323,921,130 ordinary shares of Baht 1 each)	391,944	356,313	323,921	391,944	356,313	323,921
Share premium	149,421	149,421	149,421	149,421	149,421	149,421
Retained earnings						
Appropriated - statutory reserve	39,194	35,631	35,627	39,194	35,631	35,627
Unappropriated	198,971	204,882	170,484	185,907	191,041	154,945
Other components of shareholders' equity	130,331	129,320	9,777	123,918	122,587	9,777
Equity attributable to owners of the Company	909,861	875,567	689,230	890,385	854,993	673,691
Non-controlling interests of the subsidiaries	60,639	61,311	61,907	-	-	-
Total shareholders' equity	970,500	936,878	751,137	890,385	854,993	673,691
Total liabilities and shareholders' equity	2,599,464	2,628,243	2,479,984	2,364,920	2,425,244	2,292,309

The accompanying notes are an integral part of the financial statements.

SE-EDUCATION PUBLIC COMPANY LIMITED and its subsidiaries

Statement of income

For the year ended 31 December 2013 2012 and 2011

(Unit : Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	2013	2012	2011	2013	2012	2011
		(Restated)	(Restated)		(Restated)	(Restated)
Revenues						
Revenues from sales	5,181,366	5,522,184	5,370,059	5,180,471	5,518,651	5,363,876
Income from tuition fees	127,040	119,710	111,345	-	-	-
Interest and dividend income	4,201	22,055	23,950	6,650	25,532	26,076
Other income	44,764	62,261	54,409	38,624	56,429	51,302
Total revenues	5,357,372	5,726,209	5,559,763	5,225,744	5,600,612	5,441,254
Expenses						
Cost of sales	3,479,396	3,750,893	3,676,140	3,479,728	3,749,491	3,674,693
Cost of services	101,049	94,521	82,003	-	-	-
Selling expenses	1,078,402	1,042,067	924,720	1,078,402	1,042,067	924,720
Administrative expenses	606,754	580,402	559,879	578,138	552,033	532,121
Total expenses	5,265,601	5,467,883	5,242,741	5,136,268	5,343,591	5,131,534
Profit before share of profit from investments						
in associate, finance cost and income tax expenses	91,771	258,327	317,022	89,476	257,021	309,720
Share of profit from investments in associate	1,714	1,750	2,007	-	-	-
Profit before finance cost and income tax expenses	93,484	260,077	319,029	89,476	257,021	309,720
Finance cost	(6,400)	(4,719)	(4,454)	(521)	(18)	(328)
Profit before income tax expenses	87,084	255,358	314,575	88,955	257,003	309,391
Income tax expenses	(15,567)	(46,217)	(80,859)	(15,567)	(46,217)	(80,859)
Profit for the year	71,518	209,142	233,716	73,388	210,786	228,532
Profit attributable to						
Equity holders of the Company	72,290	209,088	230,912	73,388	210,786	228,532
Non-controlling interests of the subsidiaries	(772)	54	2,803			
	71,518	209,142	233,716			
Earnings per share						
Basic earnings per share						
Profit attributable to equity holders of the Company	0.18	0.53	0.59	0.19	0.54	0.58

The accompanying notes are an integral part of the financial statements.

SE-EDUCATION PUBLIC COMPANY LIMITED and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2013 2012 and 2011

(Unit : Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	2013	2012	2011	2013	2012	2011
		(Restated)	(Restated)		(Restated)	(Restated)
Profit for the year	71,518	209,142	233,716	73,388	210,786	228,532
Other comprehensive income:						
Gain (loss) on changes in value of						
available-for-sale investments	1,996	8,630	(7,633)	1,996	8,630	(7,633)
Income tax effect	(398)	90	308	(398)	90	308
Surplus on revaluation of assets	-	136,609	-	-	129,876	-
Income tax effect	-	(25,192)	-	-	(25,192)	-
Other comprehensive income for the year	1,598	120,137	(7,326)	1,598	113,404	(7,326)
Total comprehensive income for the year	73,115	329,279	226,390	74,986	324,190	221,206
Total comprehensive income attributable to						
Equity holders of the Company	73,888	329,225	223,587	74,986	324,190	221,206
Non-controlling interests of subsidiaries	(772)	54	2,803			
Total comprehensive income for the year	73,115	329,279	226,390			

The accompanying notes are an integral part of the financial statements.

SE-EDUCATION PUBLIC COMPANY LIMITED and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2013 2012 and 2011

(Unit : Thousand Baht)

	Consolidated financial statements										
	Equity attributable to the parent's shareholders										
	Other components of equity										
	Other comprehensive income										
	Surplus (deficit)										
	on changes										
	in value of										
	Surplus on										
	Other										
	components of										
	Total equity										
	Equity attributable										
	to non-controlling										
	interests of										
	Total										
	Issued and		Retained earnings		on changes	Surplus on	Other	Total other	Total equity	Equity attributable	
	paid-up				in value of	revaluation of	changes	components of	attributable to	to non-controlling	
	share capital	Share premium	Appropriated	Unappropriated	available-for-sale	assets	by the owners	shareholders'	shareholders of	the subsidiaries	shareholders'
					investments			equity	the Company		equity
Balance as at 1 January 2011	323,921	149,421	35,627	161,685	(2,991)	27,087	(6,643)	17,452	688,105	59,104	747,209
Dividend paid	-	-	-	(236,462)	-	-	-	-	(236,462)	-	(236,462)
Total comprehensive income for the year	-	-	-	230,912	(7,633)	(989)	-	(8,623)	222,290	2,803	225,093
Discount on capital resulting from change in shareholding ratio in subsidiary transferred to retained earnings	-	-	-	(6,643)	-	-	6,643	6,643	-	-	-
Balance as at 31 December 2011	323,921	149,421	35,627	149,492	(10,625)	26,097	-	15,472	673,933	61,907	735,840
Cumulative effect of change in accounting policy	-	-	-	20,993	308	(6,002)	-	(5,695)	15,298	-	15,298
Balance as at 31 December 2011 - as restated		149,421	35,627	170,484	(10,317)	20,095	-	9,777	689,230	61,907	751,137
Increase in share capital from issuance of stock dividend		-	-	(32,392)	-	-	-	-	-	-	-
Dividend paid	-	-	-	(142,888)	-	-	-	-	(142,888)	-	(142,888)
Total comprehensive income for the year (restated)	-	-	-	209,088	8,720	111,417	-	120,137	329,225	54	329,279
Transferred retained earning to legal reserve	-	-	4	(4)	-	-	-	-	-	-	-
Resulting from change in shareholding ratio of equity attributable to non-controlling interests of the subsidiaries due to the decrease in the subsidiary's share capital	-	-	-	-	-	-	-	-	-	(650)	(650)
Transferred surplus on revaluation of assets to retained earning	-	-	-	594	-	(594)	-	(594)	-	-	-
Balance as at 31 December 2012 - as restated	356,313	149,421	35,631	204,882	(1,597)	130,917	-	129,320	875,567	61,311	936,878
Increase in share capital from issuance of stock dividend	35,631	-	-	(35,631)	-	-	-	-	-	-	-
Dividend paid	-	-	-	(39,594)	-	-	-	-	(39,594)	-	(39,594)
Total comprehensive income for the year	-	-	-	72,290	1,598	-	-	1,598	73,888	(772)	73,115
Transferred retained earning to legal reserve	-	-	3,563	(3,563)	-	-	-	-	-	-	-
Non - controlling interests of the subsidiaries increase from invest in a new subsidiary	-	-	-	-	-	-	-	-	-	100	100
Transferred surplus on revaluation of assets to retained earning	-	-	-	587	-	(587)	-	(587)	-	-	-
Balance as at 31 December 2013	391,944	149,421	39,194	198,971	0	130,331	-	130,331	909,861	60,639	970,500

The accompanying notes are an integral part of the financial statements.

SE-EDUCATION PUBLIC COMPANY LIMITED and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2013 2012 and 2011

(Unit : Thousand Baht)

Separate financial statements

	Issued and paid-up share capital	Share premium	Retained earnings		Other components of equity			
					Other comprehensive income			
					Surplus (deficit)		Total other components of shareholders' equity	
					on changes			
					in value of available-for-sale investments	Surplus on revaluation of assets		
			Appropriated	Unappropriated				Total shareholders' equity
Balance as at 1 January 2011	323,921	149,421	35,627	141,058	(2,991)	27,087	24,095	674,122
Dividend paid	-	-	-	(236,462)	-	-	-	(236,462)
Total comprehensive income for the year	-	-	-	221,206	(7,633)	(989)	(8,623)	212,583
Balance as at 31 December 2011	323,921	149,421	35,627	125,802	(10,625)	26,097	15,472	650,243
Cumulative effect of change in accounting policy	-	-	-	29,142	308	(6,002)	(5,695)	23,448
Balance as at 31 December 2011 - as restated	323,921	149,421	35,627	154,945	(10,317)	20,095	9,777	673,691
Increase in share capital from issuance of stock dividend	32,392	-	-	(32,392)	-	-	-	-
Dividend paid	-	-	-	(142,888)	-	-	-	(142,888)
Total comprehensive income for the year (restated)	-	-	-	210,786	8,720	104,684	113,404	324,190
Transferred retained earnings to legal reserve	-	-	4	(4)	-	-	-	-
Trasferred surplus on revaluation of assets to retained earning	-	-	-	594	-	(594)	(594)	-
Balance as at 31 December 2012 - as restated	356,313	149,421	35,631	191,041	(1,597)	124,184	122,587	854,993
Increase in share capital from issuance of stock dividend	35,631	-	-	(35,631)	-	-	-	-
Transferred retained earning to legal reserve	-	-	3,563	(3,563)	-	-	-	-
Dividend paid	-	-	-	(39,594)	-	-	-	(39,594)
Total comprehensive income for the year	-	-	-	73,388	1,598	-	1,598	74,986
Trasferred surplus on revaluation of assets to retained earning	-	-	-	266	-	(266)	(266)	-
Balance as at 31 December 2013	391,944	149,421	39,194	185,907	0	123,918	123,918	890,385

The accompanying notes are an integral part of the financial statements.

SE-EDUCATION PUBLIC COMPANY LIMITED and its subsidiaries

Cash flow statement

For the year ended 31 December 2013 2012 and 2011

(Unit : Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	2013	2012	2011	2013	2012	2011
		(Restated)	(Restated)		(Restated)	(Restated)
Cash flows from operating activities						
Profit before tax	87,084	255,358	314,575	88,955	257,003	309,391
Adjustments to reconcile profit before tax to						
net cash provided by (paid from) operating activities:						
Depreciation and amortisation	122,549	117,436	111,151	104,907	104,709	100,330
Allowance for doubtful accounts and estimated						
goods return (reversal)	2,963	(18,798)	2,228	2,719	(18,320)	1,113
Reversal allowance for impairment loss	-	(17,718)	-	-	(16,013)	-
Adjustment from clearing accounts receivable	(1,204)	(418)	448	(1,204)	(418)	448
Expense from lost of inventories	12,898	15,783	12,496	12,898	15,783	12,496
Allowance for dilapidated slow moving and lost of inventories	51,369	14,951	3,834	51,369	15,028	3,834
Share of profit from investment in associate	(1,714)	(1,750)	(2,007)	-	-	-
Gain on sales of current investments	(4,123)	-	-	(4,123)	-	-
Write-off goods and equipment damaged by flood incident	-	-	19,950	-	-	19,814
Expense from donation of goods and equipment	6,755	17,159	22,556	6,755	17,159	20,362
Expense from stock destruction	8,138	11,495	5,804	8,138	11,495	5,804
Provision for long-term employee benefits	1,506	9,010	7,102	939	8,827	6,675
Loss on sales and written-off equipment	4,108	1,412	(1,387)	4,073	1,068	(920)
Amortisation of leasehold right on land and buildings	11,762	11,794	13,431	11,427	11,459	13,096
Adjustment from clearing accounts payable and						
coupon payable	(12,612)	(9,042)	(6,156)	(12,612)	(9,042)	(6,156)
Interest expenses	6,400	4,719	4,454	521	18	328
Interest income	(3,846)	(13,386)	(13,229)	(4,295)	(14,863)	(13,154)
Dividend income	(404)	(8,669)	(10,721)	(2,404)	(10,669)	(12,922)
Profit from operating activities before						
changes in operating assets and liabilities	291,631	389,335	484,529	268,066	373,223	460,542

The accompanying notes are an integral part of the financial statements.

SE-EDUCATION PUBLIC COMPANY LIMITED and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2013 2012 and 2011

(Unit : Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	2013	2012	2011	2013	2012	2011
		(Restated)	(Restated)		(Restated)	(Restated)
Operating assets (increase) decrease						
Trade and other receivables	(3,229)	27,586	5,704	(3,262)	14,693	15,129
Inventories	(51,508)	(64,638)	(76,834)	(49,379)	(65,191)	(78,514)
Prepaid expenses	28,962	(21,771)	(7,273)	29,029	(21,646)	(7,125)
Compensation receivable from the insurance claim	3,545	19,820	(19,814)	3,545	19,820	(19,814)
Other current assets	(2,333)	(5,956)	(5,376)	(4,731)	(6,316)	(2,009)
Prepaid book copyright and translation fee	(642)	4,669	(4,797)	(642)	4,669	(4,797)
Rental guarantee and deposit	(3,418)	(12,515)	(12,671)	(3,418)	(12,515)	(12,671)
Other non-current assets	5,934	8,766	(12,411)	5,949	8,572	(12,319)
Operating liabilities increase (decrease)						
Trade accounts payable	(129,094)	(39,060)	201,263	(128,865)	(38,988)	208,937
Income received in advance	12,311	2,244	(8,131)	-	-	-
Accrued expenses	(56,938)	(23,756)	19,764	(56,018)	(25,106)	19,214
Notes payables	(21,763)	21,445	3,750	(21,763)	21,445	3,750
Other payables	12,255	5,248	5,325	12,569	5,248	6,412
Other current liabilities	23,301	12,126	6,659	23,293	12,050	271
Cash paid for long-term employee benefits	(4,059)	(6,286)	(634)	(4,059)	(6,286)	(634)
Other non-current liabilities	(425)	556	257	(365)	525	324
Cash flows from operating activities	104,529	317,813	579,311	69,948	284,196	576,696
Cash paid for interest expenses	(6,400)	(4,719)	(4,454)	(521)	(18)	(328)
Cash paid for corporate income tax	(36,875)	(70,158)	(94,596)	(36,875)	(70,158)	(94,596)
Net cash flows from operating activities	61,254	242,936	480,260	32,552	214,021	481,771
Cash flows from investing activities						
Decrease in current investments	152,509	19,094	(6)	152,509	19,094	(6)
Increase in investment in subsidiaries	-	-	-	(1,050)	-	-
Dividend received from associated company	2,000	-	-	-	-	-
Interest income	3,846	13,670	13,230	4,295	15,147	13,155
Dividends income	404	10,669	12,721	2,404	10,669	12,922
Decrease in restricted bank deposit and other investment	(2,004)	(188)	(65)	(2,004)	(188)	(65)
Acquisition of land property and equipment	(484,635)	(368,871)	(427,802)	(478,588)	(307,841)	(398,920)
Proceeds from sales of equipment	520	443	1,719	488	403	1,713
Acquisition of intangible assets	(2,920)	(4,941)	(927)	(2,920)	(4,941)	(907)
Cash receipt from loan to subsidiary	-	-	-	15,044	-	-
Cash paid for short-term loans to subsidiary	-	-	-	-	(20)	(15,000)
Net cash flows used in investing activities	(330,280)	(330,124)	(401,129)	(309,821)	(267,677)	(387,108)

The accompanying notes are an integral part of the financial statements.

SE-EDUCATION PUBLIC COMPANY LIMITED and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2013 2012 and 2011

(Unit : Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	2013	2012	2011	2013	2012	2011
		(Restated)	(Restated)		(Restated)	(Restated)
Cash flows from financing activities						
Repayment of short-term loans from other person	-	(3,400)	-	-	-	-
Cash receipt from short-term loans from financial institutions	100,000	-	-	100,000	-	-
Cash receipt from short-term loans	-	-	9,000	-	-	-
Cash receipt from long-term loans	21,770	10,110	-	-	-	-
Repayment of long-term loans from related parties	-	-	(1,400)	-	-	-
Increase in non-controlling interests	100	-	-	-	-	-
Dividend paid	(39,594)	(142,888)	(236,462)	(39,594)	(142,888)	(236,462)
Net cash flows used in financing activities	82,276	(136,178)	(228,862)	60,406	(142,888)	(236,462)
Net decrease in cash and cash equivalents	(186,749)	(223,366)	(149,731)	(216,863)	(196,544)	(141,799)
Cash and cash equivalents at beginning of year	346,948	570,314	720,045	343,504	540,048	681,847
Cash and cash equivalents at end of year	160,199	346,948	570,314	126,641	343,504	540,048

Supplemental cash flows information

Non-cash transactions

Increase in revaluation surplus on changes in

value of available-for-sale investments	1,996	8,630	(7,633)	1,996	8,630	(7,633)
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Purchase of fixed assets for which cash has not been paid

866	5,169	4,281	683	4,805	4,281
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Depreciation surplus on revaluation of asset

under shareholder's equity	(654)	(743)	(989)	(333)	(743)	(989)
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Surplus on revaluation of assets

-	136,609	-	-	129,876	-
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Issuance of stock dividend

35,631	32,392	-	35,631	32,392	-
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The accompanying notes are an integral part of the financial statements.

13.3 **Financial Ratios** (calculated from consolidated financial statements)

		2013	2012	2011
LIQUIDITY RATIO				
Current Ratio	times	0.47	0.69	0.82
Quick Ratio	times	0.19	0.40	0.55
Cash Flow Ratio	times	0.04	0.15	0.32
Accounts Receivable Turnover	times	9.15	7.56	8.02
Average Debt Collection Period	days	39	48	45
Inventory Turnover	times	9.70	10.20	10.32
Average Selling Period	days	37	35	35
Payable Turnover	times	2.63	2.60	3.10
Average Payment Period	days	137	139	116
Cash Cycle	days	(57)	(56)	(36)
PROFITABILITY RATIO				
Gross Profit Margin	%	32.55	31.84	31.44
Operating Profit	%	1.76	4.61	5.84
Other Profits	%	0.91	1.47	1.41
Cash to Earnings Ratio	%	65.52	93.41	150.07
Net Profit Margin	%	1.35	3.65	4.05
Rate of Return to Equity	%	8.10	26.72	32.32
EFFICIENCY RATIO				
Return on Assets	%	3.58	10.18	13.61
Return on Fixed Assets	%	13.48	29.17	42.96
Asset Turnover	times	2.05	2.24	2.36
FINANCIAL POLICY RATIO				
Debt to Equity Ratio	times	1.68	1.81	2.37
Interest Capability Ratio	times	13.00	62.28	127.49
Debt Service Coverage Ratio	times	0.09	0.42	0.72
Dividend Payout Rate	%	97.59*	70.06	59.13
Remarks * Dividend Payment Rate is proposed by the board of directors, whereby such rate will be decided at the annual general shareholder's meeting on April 24, 2014. And the rate is calculated from separate financial statements at THB 0.18 per share.				

14. Management Discussion and Analysis

Publishing Business Situation in 2013

Overall in 2013 the Company was still affected by the economic and political instability as well as the declining purchasing power of customers. As a result, sales in every region continued to decrease. At the same time, the Company was affected by the increase in operational expenses because of the rise in minimum wage nationwide in 2012 and 2013 and the rise in logistic fee. On the contrary, the Company could not adjust the retail prices according to the increasing cost. Consequently, the Company's profitability continued to suffer.

In 2013, the Company opened 22 new branches of SE-ED Book Center while 16 branches and 12 points of sales that could not generate profit or reached the end of its rental agreement were shut down. As of December 31, 2013, there was a total of 444 active branches and 11 points of sale.

Moreover, five new branches of SE-ED Learning Center were launched, leading to the total of 14 branches, 3 of which are operated by the Company.

Overall in 2013 the Company's net profit before the contingent expenses for slow-moving stock amounted to THB 123.29 million, a decrease of THB 104.39 million or 45.85%. The Company's net profit according to the consolidated financial statement amounted to THB 72.29 million, a decrease of THB 136.80 million or 65.43%. The causes of profit decrease are as follows:

- Gross profit decreased by THB 68.52 million because the sales fell from the previous year by 5.91%.
- Contingent expenses for slow-moving stock of imported school books for more than 5 years increased by THB 32.41 million.
- Loss on foreign exchange increased by THB 5.12 million because of the fluctuation in the British Pound causing the Company to realize the loss on foreign exchange.
- Interest income and dividend dropped by THB 17.85 million because of the sold investments to invest in the construction of the new warehouse.
- Other incomes dropped by THB 17.50 million because in 2012 there was recognition of other revenues from the reversal allowance for impairment loss of unused property (Soi Watcharapon) in the amount of THB 16.01 million.

Business Summary

Bookstore Business

In Q4/2013 the Company opened 10 new branches located in Lotus Glang Rayong 2, Lotus Wiangsa Surattani, Lotus Buayai Nakhonratchasima, HomePro Chaiyapoom, Central Festival Chiang Mai, Lotus Songkhla, Big C Trang, Lotus Onnut 80, Lotus Chalong Phuket, and Central Festival Hat Yai

Songkhla. This led to the total of 491 branches of SBC that have been in operation so far, with 444 branches that are still active, 3 franchises and 11 points of sale. Several active branches were also renovated and modernized to boost the sales and profits.

Distribution Business

The Company has put more emphasis on the distribution business by representing both Thai and foreign publishers such as MIS Publishing Co.,Ltd., Nation International Edutainment Public Company Limited, Nation Egmont Edutainment Co.,Ltd., Petchprakai Co.,Ltd., Ms. Eumporn Wongwiang, Provision Co.,Ltd., Education Mind Line Multimedia Co.,Ltd., Post Publishing Public Company Limited, Thammasat University press, Bear Publishing Co., Ltd. and Oxford University Press (English Language Teaching Division) for which the Company has been the exclusive distributor in Thailand since 2007. The books from various publishers are supplied to SE-ED Book Center and Book Variety branches, other bookshops in the Company's distributing network and educational institutions. Moreover, the Company is developing its distribution system to be more efficient in order to support the future growth of this business.

Publish Business

The Company always plans its book publications to meet the market demand and focuses mainly on steady-selling titles with a sufficient market size in the long term. In 2014, the Company will increase the number of titles published per year and will emphasize on language-learning titles such as English, Chinese, and Korean as well as long-lifespan titles including dictionaries, references and maps. The Company also publishes books needed for the development of Thai people and the country, especially books in health and wellbeing category, test preparations and career development books.

Since the end of 2007 the Company started to publish English extensive reading materials that are fun and easy to read and designed to suit readers' different levels of English skills. The objective of this publication is to help English learners improve their English proficiency by reading. The Company has still continued its extensive reading publications. Up until now the Company has published more than 300 titles for the extensive reading campaign with over 200 titles still available for all readers from primary to university level to improve their English language skills. Towards the end of 2013 the Company starts to publish children's titles to build their writing skill in English, Thai and Chinese so that their overall four skills in languages are constantly improved since primary age.

In 2014, the Company's publishing business will work more closely and intensively with the distribution department, retail and wholesale teams to improve and increase the income. One of the new initiatives is to adjust the proportion of books published by SE-ED in SE-ED Book Center and to make sure that those books are displayed more prominently. SE-ED Book Center started this pilot project in early February. Moreover, the Company sees the importance of developing and installing various types of communication tools to add more PR channels and distribute products to target groups more suitably; giving the Company more chances to be successful.

Operating Results

Operating performance for year 2013 over the same period last year.

Table 1: Operating performance for year 2013 over the same period last year.

(Unit : Million Baht)

Year 2013				
Consolidated financial statements				
	2013	2012	Change	(%)
Revenues				
Revenues from sales	5,181.37	5,522.18	(340.81)	(6.17)
Income from tuition fees	127.04	119.71	7.33	6.12
Interest and dividend income	4.20	22.06	(17.86)	(80.96)
Other income	44.76	62.26	(17.50)	(28.11)
Total revenues	5,357.37	5,726.21	(368.84)	(6.44)
Expenses				
Cost of sales	3,479.40	3,750.89	(271.49)	(7.24)
Cost of services	101.05	94.52	6.53	6.91
Selling expenses	1,078.40	1,042.07	36.33	3.49
Administrative expenses	606.75	580.40	26.35	4.54
Total expenses	5,265.60	5,467.88	(202.28)	(3.70)
Gross profit	1,727.96	1,796.48	(68.52)	(3.81)
Gross Margin (%)	32.55	31.84		0.71
EBITDA	227.79	389.31	(161.51)	(41.49)
Profit from operation accordance with				
Cash Flow Statement	291.63	389.33	(97.70)	(25.09)
Net profit of shareholders' equity of				
parent company	72.29	209.09	(136.80)	(65.43)
EPS (Baht)	0.18	0.53	(0.35)	(66.04)

The Company and its subsidiaries' total revenue according to the consolidated financial statement for the year ended December 31, 2013 amounted to THB 5,357.37 million, or a decrease of 6.44% from the previous year. The total revenue according to the separate financial statements amounts to THB 5,225.74 million or a decrease of 6.69% from the previous year. Within this amount THB 5,180.47 million, which in a decrease of 6.13%. The decrease is mainly due to the drop in the same store sales by 12.33%. The main causes of the decrease are the economic and political instability as well the drop of newspaper and magazine sales because of the increasing popularity of online materials.

The cost of sales and service according to the consolidated financial statement for the year ended December 31, 2013 amounted to THB 3,580.44 million, or a decrease of 6.89%. The cost of sales, according to the separate financial statements amounts THB 3,479.73 million or a decrease of

7.19%. The gross profit margin of the year 2013 accounts for 32.83% or an increase of 0.77%. The increase came from the sales of items with high gross profit such as foreign books and distributed books improved from the previous year.

The selling and administrative expense according to the consolidated financial statement for the year ended December 31, 2013 according to the consolidated financial statement amounts to THB 1,685.16 million, or an increase of 3.86%. The selling and administrative expense according to the separate financial statement amounts to THB 1,656.54 million, or an increase of 3.92%. Causes of the increase are as follows:

- The contingent expenses for slow-moving stock of more than 5 years.
- Employee wage has increased significantly since 2012 and 2013 because of the government's policy to raise the minimum wage to THB 300 per day.
- Increased operation expenses, including the rental fee, facilities fee, and maintenance service fee because of the raise in the rental fee of several branches of which the rental agreements have expired.
- Loss from the fluctuation of the British Pound causing the Company to realize loss from the exchange rate when paid to account payables and unrealized loss from the exchange rate for the remaining foreign account payables.

The Company's net profit belonging to shareholders' equity of the parent company according to the consolidated financial statement 2013 amounted to THB 72.29 million, or a decrease of 65.43% from the previous year. The decrease is due to the drop in gross profit by THB 68.52 million as a result of the decline in sales performance and the increase in sales and administrative cost. Moreover, interest income and dividend decreased because of the sold investment to invest in the construction in the new warehouse. In 2012 there was recognition of other revenues from reversal allowance for impairment loss of unused property (Soi Watcharapon).

The net profit according to the separate financial statement amounted to THB 73.39 million or a decrease of 65.31% from the previous year. However, the net profit before the contingent expenses for slow-moving stock amounted to THB 124.39 million or a decrease of THB 104.98 million or 45.77%

Financial status analysis for year 2013 compare to 2012

Asset Component

(Unit : Million Baht)

Description	Consolidated financial statement					
	Year 2013			Year 2012		Change
	Amount	% to	Amount	% to	Amount	%
		Total Assets		Total Assets		
Assets						
Current assets						
Cash and cash equivalents	160.20	6.16	346.95	13.20	(186.75)	(53.83)
Current investments	22.00	0.85	168.39	6.41	(146.39)	(86.94)
Trade and other receivables	102.15	3.93	104.22	3.97	(2.07)	(1.99)
Inventories	373.68	14.38	401.34	15.27	(27.66)	(6.89)
Other current assets	40.09	1.54	66.72	2.54	(26.63)	(39.91)
Total current assets	698.12	26.86	1,087.62	41.38	(389.50)	(35.81)
Non-current assets						
Restricted bank deposits and other						
Investments	14.58	0.56	12.58	0.48	2.00	15.90
Investments in associate - net	25.68	0.99	25.97	0.99	(0.29)	(1.12)
Property, plant and equipment - net	1,612.84	62.05	1,251.68	47.62	361.16	28.85
Leasehold right on land - net	6.70	0.26	7.04	0.27	(0.34)	(4.83)
Leasehold right on buildings - net	87.41	3.36	98.84	3.76	(11.43)	(11.56)
Intangible assets	7.98	0.31	7.89	0.30	0.09	1.14
Prepaid book copyright and translation fee	23.15	0.89	22.51	0.86	0.64	2.84
Rental guarantee and deposit	108.18	4.16	104.76	3.99	3.42	3.26
Deferred tax assets	14.49	0.56	3.09	0.12	11.40	368.93
Other non-current assets	0.33	0.01	6.26	0.24	(5.93)	(94.73)
Total non-current assets	1,901.34	73.14	1,540.62	58.62	360.72	23.41
Total assets	2,599.46	100.00	2,628.24	100.00	(28.78)	(1.10)

Liabilities and shareholders' equity Component

(Unit : Million Baht)

Description	Consolidated financial statements					
	Year 2013		Year 2012		Change	
	Amount	% to	Amount	% to	Amount	%
		Total Assets		Total Assets		
Liabilities and shareholders' equity						
Current liabilities						
Short-term loans from financial institutions	100.00	3.85	-	-	100.00	100
Trade and other payables	1,264.43	48.64	1,459.10	55.52	(194.67)	(13.34)
Current portion of long-term loans	20.70	0.80	-	-	20.70	100
Income received in advance recognizable within one year	39.73	1.53	33.80	1.29	5.93	17.54
Income tax payable	7.09	0.27	16.61	0.63	(9.52)	(57.31)
Current portion of provision for long-term employee						
Benefits	9.20	0.35	8.77	0.33	0.43	4.90
Other current liabilities	57.60	2.22	46.91	1.78	10.69	22.79
Total current liabilities	1,498.75	57.66	1,565.19	59.55	(66.44)	(4.24)
Non-current liabilities						
Income received in advance	9.08	0.35	2.70	0.10	6.38	236.30
Long-term loans from director	0.50	0.02	-	-	0.50	100
Long-term loans, net of current portion	75.28	2.90	74.71	2.84	0.57	0.76
Provision for long-term employee benefits,	36.71	1.41	39.69	1.51	(2.98)	(7.51)
Other non-current liabilities	8.64	0.33	9.07	0.35	(0.43)	(4.74)
Total non-current liabilities	130.21	5.01	126.17	4.80	4.04	3.20
Total liabilities	1,628.96	62.67	1,691.36	64.35	(62.40)	(3.69)

(Unit : Million Baht)

Description	Consolidated financial statements					
	Year 2013		Year 2012		Change	
	% to		% to			
	Amount	Total Assets	Amount	Total Assets	Amount	%
Shareholders' equity						
Share capital						
Registered						
391,944,529 ordinary shares of Baht 1 each						
(31 December 2012:356,313,243 ordinary shares of Baht 1 each)	391.94	15.51	356.31	13.56	35.63	10.00
Issued and paid-up						
391,944,418 ordinary shares of Baht 1 each						
(31 December 2012:356,313,209 ordinary shares of Baht 1 each)	391.94	15.51	356.31	13.56	35.63	10.00
Share premium	149.42	5.91	149.42	5.69	0.00	0.00
Retained earnings						
Appropriated-statutory reserve	39.20	1.55	35.63	1.36	3.57	10.02
Unappropriated	198.97	7.87	204.88	7.80	(5.91)	(2.88)
Other components of shareholders' equity	130.33	5.16	129.32	4.92	1.01	0.78
Equity attributable to owners of the Company	909.86	36.01	875.56	33.31	34.30	3.92
Non-controlling interests of the subsidiaries	60.64	2.40	61.31	2.33	(0.67)	(1.09)
Total shareholders' equity	970.50	38.41	936.88	35.65	33.62	3.59
Total liabilities and shareholders' equity	2,599.46	101.07	2,628.24	100.00	(28.78)	(1.10)

Total Asset As of December 31, 2013 the company and its subsidiaries had a total asset of THB 2,599.46 million, a decrease of THB 28.78 million or 1.10% from the end of last year. Causes of changing of total assets:

- Cash and cash equivalents as of December 31, 2013 totals THB 160.20 million, a decrease of THB 186.75 million or 53.83% because of the construction of the new warehouse.
- Current investments total THB 22.00 million or a decrease of THB 146.39 million or 86.94% due to the sale of current investment fund to support the construction of the new warehouse.
- Inventories-net totals THB 373.68 million or a decrease of THB 27.66 million or 6.89% because
 - The decrease by THB 12.32 million because in 2013 there were fewer purchasing orders and more emphasis on on-hand Oxford stock by sales promotions.
 - Allowance for lost of goods and stock obsolescence was increased, causing the imported products that have not been selling for more than five years to drop by THB 52.50 million.
 - Products ordered by SE-ED Book Center increased by THB 7.23 million of the firmed sales for textbooks, stationery and SE-ED bags.
 - SE-ED branded products have increased by THB 19.77 million because the Company has published textbooks to use in SE-ED Learning Center and iKids program.
 - Distributed books increased by THB 16.57 million because of the group bought text book, reference and management books.
 - Cost of purchased paper dropped by THB 5.37 million because there was still stock from 2012, while the raw materials withdrawal dropped this year as the production did not increase from the previous year.
- Other current assets total THB 40.09 million or a decrease of THB 26.63 million or 39.91% because of the advanced cheque payment to pay for the rental fee of the warehouse in 2013.
- Leasehold right on buildings totals THB 87.41 million or a decrease of THB 11.43 million or 11.56% from a land leasehold amortization.
- Other non-current assets total THB 0.33 million or a decrease of THB 5.93 million or 94.73% mainly because of the cut in the prepaid expenses that are due in more than 1 years.
- Property, plant and equipment total THB 1,612.84 million or an increase of THB 361.16 million or 28.85% which is due to the construction of the new warehouse on Bang Na – Trad Road (21 k.m.), the purchase of electric stackers, new bookshelves, decorations and computers, and electrical appliances for new branches and the new warehouse.

- Deferred tax assets total THB 14.49 million or an increase of THB 11.40 million because it is the tax that can be used in the future from the reserved expenses for the slow-moving products.
- Rental deposit and general deposit payments total THB 108.18 million or an increase of THB 3.42 million or 3.26% from the opening of new 10 branches.

Total liabilities As of December 31, 2013 the Company and its subsidiaries had a total liability of THB 1,628.96 million decreased of THB 62.40 million or 3.69%. Causes of changing of total liabilities:

- Trade and other payables total THB 1,264.43 million, a decrease by THB 194.67 million or 13.34%, which comes from the decrease in trade payables of SBC, distribution and production units from the decline in sales performance.
- Long-term loans due in one year amounted to THB 20.70 million, an increase by THB 20.70 million or 100%. The long-term loan is to be used for the construction of the new school building for secondary students.
- Income received in advance recognizable within one year totals THB 39.73 million, a decrease of THB 5.93 million or 17.54%.
- Income tax payable total THB 7.09 million, a decrease by THB 9.52 million or 57.31%. This is because the tax rate decreases from 23% to 20% and the net profit that have decreased more than 60%.
- Short-term loans from two financial institutions total THB 100 million to pay for the construction of the warehouse.

Shareholders' equity As of December 31, 2013 the Company and its subsidiaries had a total shareholders' equity of THB 970.50 million, which the shareholders' equity of parent company worth THB 909.86 million increased of THB 34.30 million. Causes of changing of Shareholders' equity:

- Net profit of shareholders' equity of parent company from operation result for the year of 2013 amount THB 72.29 million.
- Retained earnings decreased due to the dividend payment as THB 60.64 million.
 - Operation result of Q4/2012 dividends paid by cash at THB 0.11112 per share as THB 39.59 million.
 - Operation result of Q4/2012 dividends paid by ordinary shares in the ratio of 10 original shares per 1 new share totaling THB 35.63 million.
- Increasing capital from paying dividend for 4/2012 quarter in the rate of 10 original shares:1 new share, totaling THB 35.63 million.

Cash flow

Table: Cash flow for year 2013 over the same period last year

(Unit : Million Baht)

	Consolidated financial statements			
	2013	2012	Change	%
Cash flow received (used) from operation activities	61.25	242.94	(181.69)	(74.79)
Cash flow received (used) from investing activities	(330.28)	(330.12)	(0.16)	0.05
Cash flow received (used) from financing activities	82.28	(136.18)	218.46	(160.42)
Cash flow increase (decrease)	(186.75)	(223.37)	(36.62)	(16.39)

Cash Flow Received from Operation Activities for year 2013 was THB 61.25 million as listed below:

- Income from operation increased in the amount of THB 291.63 million:
 - The Net profit before corporate income tax for year 2013 in the amount of THB 87.08 million.
 - Adjustments to reconcile profit before tax in the amount of THB 204.55 million (Depreciation and amortization as THB 122.55 million, Allowance for dilapidated slow moving and lost of inventories as THB 51.37 million, Expense from lost of inventories as THB 12.90 million, Amortization of leasehold right on land and buildings as THB 11.76 million, Expense from stock destruction as THB 8.14 million, Expense from donation of goods and equipment as THB 6.76 million, Interest expenses an THB 6.40 million, Loss on sales and written-off equipment an THB 4.11 million, Allowance for doubtful accounts and estimated goods return (reversal) as THB 2.96 million, Adjustment from clearing accounts payable and coupon payable as THB (12.61) million, Gain on sales of current investments as THB (4.12) and Interest income as THB (3.85) million).
- Cash flow increased from inventories decreased in the amount of THB 51.51 million, because the inventory of imported foreign books from Oxford dropped from the increasing sales to school.
- Cash flow increased from prepaid expenses decreased amount THB 28.96 million. Most of the expenses come from the advance payment of office rental fee and insurance premium from extending insurances for branches, head office and warehouse as well as the advance payment for the construction of the new warehouse on k.m.21.

- Cash flow decreased from rental guarantee and deposit increased by THB 3.42 million from the opening of new 10 stores.
- Cash flow decreased from trade accounts payable decreased by THB 116.84 million, which came from the credit adjustment as the benefits from the higher discounts and the returns of goods for the move to the new warehouse at k.m.21.
- Cash flow decreased from accrued expenses decreased by the amount THB 56.94 million, because of the annual bonuses and benefit payments.
- Cash flow decreased from notes payables decreased amount THB 21.76 million, because of the one-year advance rental fee of the warehouse.
- Cash flow increased from other current liabilities increased amount THB 23.30 million, because there are new accounts payable from the construction of the new warehouse on k.m.21 and from the increasing sales of the coupons.
- Cash flow decreased from income tax payment in the amount of THB 36.88 million because of the drop in tax profit.

Cash Flow Used from Investment Activities for year 2013 was THB (330.28) million as listed below:

- Cash flow decreased from asset purchases amounts to THB 484.64 million for the installation of RACK, BUFFER and CONVEYOR, building decoration, building system (electrical system and machine installation), other equipments in the warehouse, shelves, computers for new branches.
- Cash flow increased from current investments decreased amount THB 152.51 million which came from the sales of the whole fund in the mutual fund to pay for the warehouse construction.

Cash Flow Used from Financial Activities for year 2013 was THB 82.28 million mainly arising from the dividend payments for:

- Cash received from the short-termed loans from 2 commercial banks in the amount of THB 100 million in order to pay for the construction of the new warehouse.
- Dividends from Q4/2012 profit paid in May 2013 in the amount of THB 39.59 million.