

**Nation International Edutainment Public Company  
Limited and its Subsidiaries**

Financial statements for the year ended  
31 December 2012  
and  
Independent Auditor's Report



**KPMG Phoomchai Audit Ltd.**

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## Independent Auditor's Report

### To the Shareholders of Nation International Edutainment Public Company Limited

I have audited the accompanying consolidated and separate financial statements of Nation International Edutainment Public Company Limited and its subsidiaries, and of Nation International Edutainment Public Company Limited, respectively, which comprise the consolidated and separate statement of financial position as at 31 December 2012, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory note.

#### *Management's Responsibility for the Consolidated and Separate Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



*Opinion*

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial position as at 31 December 2012 and the financial performance and cash flows for the year then ended of Nation International Edutainment Public Company Limited and its subsidiaries, and of Nation International Edutainment Public Company Limited, respectively, in accordance with Thai Financial Reporting Standards.

(Vichien Thamtrakul)  
Certified Public Accountant  
Registration No. 3183

KPMG Phoomchai Audit Ltd.  
Bangkok  
15 February 2013

# Nation International Edutainment Public Company Limited and its Subsidiaries

## Statement of financial position

Assets	Note	Consolidated financial statements		Separate financial statements	
		31 December		31 December	
		2012	2011	2012	2011
		<i>(in Baht)</i>			
<b>Current assets</b>					
Cash and cash equivalents	5	6,798,586	29,446,389	4,567,933	26,456,273
Trade accounts receivable	6	120,370,755	103,097,700	40,837,763	48,259,278
Accrued income		8,220,896	9,748,928	4,057,250	6,685,714
Other receivables from related parties	4	15,495,824	16,165,869	32,283,573	27,452,791
Short-term loan to related party	4	-	-	3,000,000	3,000,000
Inventories	7	119,083,000	94,304,540	36,184,199	32,347,746
Other current assets	8	28,091,520	9,276,205	21,771,346	3,330,907
<b>Total current assets</b>		<b>298,060,581</b>	<b>262,039,631</b>	<b>142,702,064</b>	<b>147,532,709</b>
<b>Non-current assets</b>					
Investments in subsidiaries	9	-	-	25,613,652	26,363,652
Investment in jointly-controlled entity	10	-	-	25,046,060	25,046,060
Equipment	11	6,692,063	4,541,033	4,469,550	1,571,069
Intangible assets	12	43,402,928	38,981,370	14,382,555	11,336,954
Restricted deposits	13, 14	2,535,695	2,500,000	-	-
Other non-current assets		2,549,646	706,246	1,966,927	292,912
<b>Total non-current assets</b>		<b>55,180,332</b>	<b>46,728,649</b>	<b>71,478,744</b>	<b>64,610,647</b>
<b>Total assets</b>		<b>353,240,913</b>	<b>308,768,280</b>	<b>214,180,808</b>	<b>212,143,356</b>

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

# Nation International Edutainment Public Company Limited and its Subsidiaries

## Statement of financial position

	Note	Consolidated		Separate	
		financial statements		financial statements	
		31 December		31 December	
		2012	2011	2012	2011
<i>(in Baht)</i>					
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Bank overdrafts	14	11,129,998	3,103,985	1,275,882	-
Trade accounts payable	15	130,669,330	86,136,840	57,756,832	47,084,083
Other payables to related parties	4	9,762,738	5,745,506	8,594,041	4,984,425
Current portion of long-term loan from financial institution	14	4,604,010	5,016,553	-	-
Accrued expenses	4	20,039,400	26,285,864	6,621,346	9,211,143
Income tax payable		1,309,931	5,641,467	-	3,640,456
Other current liabilities	16	5,270,522	14,228,544	4,418,737	6,409,985
<b>Total current liabilities</b>		<b>182,785,929</b>	<b>146,158,759</b>	<b>78,666,838</b>	<b>71,330,092</b>
<b>Non-current liabilities</b>					
Long-term loan from financial institution	14	-	4,610,680	-	-
Employee benefit obligations	17	2,572,261	6,014,341	877,996	4,542,267
Other non-current liabilities		439,365	-	95,325	-
<b>Total non-current liabilities</b>		<b>3,011,626</b>	<b>10,625,021</b>	<b>973,321</b>	<b>4,542,267</b>
<b>Total liabilities</b>		<b>185,797,555</b>	<b>156,783,780</b>	<b>79,640,159</b>	<b>75,872,359</b>
<b>Equity</b>					
Share capital:	18				
Authorised share capital		85,000,000	85,000,000	85,000,000	85,000,000
Issued and paid-up share capital		85,000,000	85,000,000	85,000,000	85,000,000
Premium on ordinary shares	18	18,352,106	18,352,106	18,352,106	18,352,106
Retained earnings					
Appropriated					
Legal reserve	19	8,500,000	8,500,000	8,500,000	8,500,000
Unappropriated		55,590,151	40,131,721	22,688,543	24,418,891
<b>Equity attributable to owners of the Company</b>		<b>167,442,257</b>	<b>151,983,827</b>	<b>134,540,649</b>	<b>136,270,997</b>
Non-controlling interest		1,101	673	-	-
<b>Total equity</b>		<b>167,443,358</b>	<b>151,984,500</b>	<b>134,540,649</b>	<b>136,270,997</b>
<b>Total liabilities and equity</b>		<b>353,240,913</b>	<b>308,768,280</b>	<b>214,180,808</b>	<b>212,143,356</b>

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

# Nation International Edutainment Public Company Limited and its Subsidiaries

## Statement of comprehensive income

	Note	Consolidated financial statements		Separate financial statements	
		For the year ended 31 December		For the year ended 31 December	
		2012	2011	2012	2011
		<i>(in Baht)</i>			
<b>Income</b>	4				
Revenue from sale of goods		242,257,935	190,452,440	79,146,234	65,076,590
Revenue from rendering of services		97,291,157	98,125,250	93,138,946	88,612,437
Investment income	21	2,466,653	2,411,495	551,808	940,686
Other income	22	12,835,958	5,699,628	8,419,274	6,044,006
<b>Total income</b>		<b>354,851,703</b>	<b>296,688,813</b>	<b>181,256,262</b>	<b>160,673,719</b>
<b>Expenses</b>					
Cost of sale of goods and rendering of services	4	235,567,920	200,966,596	109,295,682	95,101,954
Selling expenses	4, 23	32,866,669	15,280,571	27,388,675	8,493,914
Administrative expenses	4, 24	42,930,117	45,305,584	25,281,659	25,922,718
Management benefit expenses	25	10,145,158	8,724,222	6,391,465	3,358,378
Finance costs		2,086,112	1,683,338	643,304	488,903
<b>Total expenses</b>		<b>323,595,976</b>	<b>271,960,311</b>	<b>169,000,785</b>	<b>133,365,867</b>
<b>Profit before income tax expense</b>		<b>31,255,727</b>	<b>24,728,502</b>	<b>12,255,477</b>	<b>27,307,852</b>
Income tax expense	27	(3,046,869)	(7,248,861)	(1,235,825)	(7,248,861)
<b>Profit for the year</b>		<b>28,208,858</b>	<b>17,479,641</b>	<b>11,019,652</b>	<b>20,058,991</b>
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>28,208,858</b>	<b>17,479,641</b>	<b>11,019,652</b>	<b>20,058,991</b>
<b>Profit attributable to:</b>					
Owners of the Company		28,208,430	17,479,585	11,019,652	20,058,991
Non-controlling interests		428	56	-	-
<b>Profit for the year</b>		<b>28,208,858</b>	<b>17,479,641</b>	<b>11,019,652</b>	<b>20,058,991</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		28,208,430	17,479,585	11,019,652	20,058,991
Non-controlling interests		428	56	-	-
<b>Total comprehensive income for the year</b>		<b>28,208,858</b>	<b>17,479,641</b>	<b>11,019,652</b>	<b>20,058,991</b>
<b>Basic earnings per share</b>	28	<b>0.33</b>	<b>0.21</b>	<b>0.13</b>	<b>0.24</b>

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

# Nation International Edutainment Public Company Limited and its Subsidiaries

## Statement of changes in equity

		<b>Consolidated financial statements</b>						
		<u>Retained earnings</u>				Equity	Non-	Total
<i>Note</i>	Issued and paid-up share capital	Share premium	Legal reserve	Unappropriated <i>(in Baht)</i>	attributable to owners of the Company	controlling interests	equity	
<b>Year ended 31 December 2011</b>								
	<b>85,000,000</b>	<b>18,352,106</b>	<b>8,500,000</b>	<b>26,902,136</b>	<b>138,754,242</b>	<b>617</b>	<b>138,754,859</b>	
<b>Transactions with owners, recorded directly in equity</b>								
<i>Contributions by and distributions to owners of the Company</i>								
29	-	-	-	-4,250,000	-4,250,000	-	-4,250,000	
<i>Total contributions by and distributions to owners of the Company</i>								
	-	-	-	-4,250,000	-4,250,000	-	-4,250,000	
<b>Total transactions with owners, recorded directly in equity</b>								
	-	-	-	<b>-4,250,000</b>	<b>-4,250,000</b>	<b>-</b>	<b>-4,250,000</b>	
	-	-	-	17,479,585	17,479,585	56	17,479,641	
	<b>85,000,000</b>	<b>18,352,106</b>	<b>8,500,000</b>	<b>40,131,721</b>	<b>151,983,827</b>	<b>673</b>	<b>151,984,500</b>	

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

# Nation International Edutainment Public Company Limited and its Subsidiaries

## Statement of changes in equity

		<b>Consolidated financial statements</b>						
		<u>Retained earnings</u>				Equity	Non-	Total
	<i>Note</i>	Issued and paid-up share capital	Share premium	Legal reserve	Unappropriated <i>(in Baht)</i>	attributable to owners of the Company	controlling interests	equity
<b>Year ended 31 December 2012</b>								
<b>Balance at 1 January 2012</b>		<b>85,000,000</b>	<b>18,352,106</b>	<b>8,500,000</b>	<b>40,131,721</b>	<b>151,983,827</b>	<b>673</b>	<b>151,984,500</b>
<b>Transactions with owners, recorded directly in equity</b>								
<i>Contributions by and distributions to owners of the Company</i>								
Dividends to owners of the company	29	-	-	-	-12,750,000	-12,750,000	-	-12,750,000
<i>Total contributions by and distributions to owners of the Company</i>								
		-	-	-	-12,750,000	-12,750,000	-	-12,750,000
<b>Total transactions with owners, recorded directly in equity</b>								
		-	-	-	<b>-12,750,000</b>	<b>-12,750,000</b>	-	<b>-12,750,000</b>
Comprehensive income for the year		-	-	-	28,208,430	28,208,430	428	28,208,858
<b>Balance at 31 December 2012</b>		<b>85,000,000</b>	<b>18,352,106</b>	<b>8,500,000</b>	<b>55,590,151</b>	<b>167,442,257</b>	<b>1,101</b>	<b>167,443,358</b>

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



# Nation International Edutainment Public Company Limited and its Subsidiaries

## Statement of changes in equity

	Note	Separate financial statements			Total equity
		Issued and paid-up share capital	Share premium	Retained earnings Legal reserve	
<b>Year ended 31 December 2011</b>					
<b>Balance at 1 January 2011</b>		<b>85,000,000</b>	<b>18,352,106</b>	<b>8,500,000</b>	<b>120,462,006</b>
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners of the Company</i>					
Dividends to owners of the Company	29	-	-	-	-4,250,000
<i>Total contributions by and distributions to owners of the Company</i>		-	-	-	-4,250,000
<b>Total transactions with owners, recorded directly in equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-4,250,000</b>
Comprehensive income for the year		-	-	-	20,058,991
<b>Balance at 31 December 2011</b>		<b>85,000,000</b>	<b>18,352,106</b>	<b>8,500,000</b>	<b>24,418,891</b>

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

# Nation International Edutainment Public Company Limited and its Subsidiaries

## Statement of changes in equity

	Note	Separate financial statements			Total equity	
		Issued and paid-up share capital	Share premium	Retained earnings		
			Legal reserve	Unappropriated		
			<i>(in Baht)</i>			
<b>Year ended 31 December 2012</b>						
<b>Balance at 1 January 2012</b>		<b>85,000,000</b>	<b>18,352,106</b>	<b>8,500,000</b>	<b>24,418,891</b>	<b>136,270,997</b>
<b>Transactions with owners, recorded directly in equity</b>						
<i>Contributions by and distributions to owners of the Company</i>						
Dividends to owners of the Company	29	-	-	-	-12,750,000	-12,750,000
<i>Total contributions by and distributions to owners of the Company</i>		-	-	-	-12,750,000	-12,750,000
<b>Total transactions with owners, recorded directly in equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-12,750,000</b>	<b>-12,750,000</b>
Comprehensive income for the year		-	-	-	11,019,652	11,019,652
<b>Balance at 31 December 2012</b>		<b>85,000,000</b>	<b>18,352,106</b>	<b>8,500,000</b>	<b>22,688,543</b>	<b>134,540,649</b>

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

# Nation International Edutainment Public Company Limited and its Subsidiaries

## Statement of cash flows

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	For the year ended		For the year ended	
	31 December		31 December	
	2012	2011	2012	2011
	<i>(in Baht)</i>			
<b><i>Cash flows from operating activities</i></b>				
Profit for the year	28,208,858	17,479,641	11,019,652	20,058,991
<b><i>Adjustments for</i></b>				
Depreciation	1,892,614	1,535,964	934,950	574,081
Amortisation of intangible assets	28,619,213	21,365,940	8,127,310	5,156,450
Investment income	(2,466,653)	(2,411,495)	(551,808)	(940,686)
Employee benefit obligations	2,451,873	679,164	2,254,226	501,465
Finance costs	2,086,112	1,683,338	643,304	488,903
Bad and doubtful debts expense	1,278,949	592,799	20,878	5,942
Loss on (reversal of) obsolete stocks	(11,427,121)	(7,078,829)	(1,684,715)	1,998,022
Loss on disposal of equipment	216,316	-	160,274	-
Loss on disposal of intangible assets	918,143	-	-	-
Income tax expense	3,046,869	7,248,861	1,235,825	7,248,861
	<u>54,825,173</u>	<u>41,095,383</u>	<u>22,159,896</u>	<u>35,092,029</u>
<b><i>Changes in operating assets and liabilities</i></b>				
Trade accounts receivable	(18,552,004)	-12,605,059	7,400,637	-15,605,095
Accrued income	1,528,032	1,465,968	2,628,464	2,869,120
Other receivables from related parties	1,257,283	-3,409,523	(4,268,088)	-5,845,876
Inventories	(13,351,339)	-18,437,825	(2,151,738)	-15,417,449
Other current assets	(18,815,315)	105,656	(18,440,439)	3,367,862
Restricted deposits	(35,695)	1,273,486	-	-
Other non-current assets	(1,843,400)	-76,619	(1,674,015)	-
Trade accounts payable	44,532,490	9,952,799	10,672,749	-2,057,092
Other payables to related parties	4,017,232	-690,804	3,609,616	357,113
Accrued expenses	(6,246,464)	2,981,978	(2,589,797)	2,537,366
Other current liabilities	(8,958,022)	572,443	(1,991,248)	-1,855,379
Employee benefit obligations	(6,481,191)	-	(6,481,191)	-
Other non-current liabilities	439,365	-	95,325	-
	<u>32,316,145</u>	<u>22,227,883</u>	<u>8,970,171</u>	<u>3,442,599</u>
Income tax paid	<u>(7,378,405)</u>	<u>-7,582,278</u>	<u>(4,876,281)</u>	<u>-6,926,810</u>
<b>Net cash from (used in) operating activities</b>	<b><u>24,937,740</u></b>	<b><u>14,645,605</u></b>	<b><u>4,093,890</u></b>	<b><u>-3,484,211</u></b>

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

# Nation International Edutainment Public Company Limited and its Subsidiaries

## Statement of cash flows

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	For the year ended		For the year ended	
	31 December		31 December	
	2012	2011	2012	2011
	<i>(in Baht)</i>			
<b><i>Cash flows from investing activities</i></b>				
Interest received	2,466,653	2,411,495	551,808	940,686
Short-term loan to related party	-	-	-	(3,000,000)
Purchase of equipment	(4,779,974)	(1,142,274)	(4,317,305)	(454,166)
Sale of equipment	520,014	-	323,600	-
Purchase of intangible assets	(33,958,914)	(32,919,083)	(11,172,911)	(7,744,803)
Cash outflow on invest in subsidiary	-	-	(250,000)	-
Cash inflow on disposal of subsidiary	-	-	1,000,000	-
<b>Net cash used in investing activities</b>	<b><u>(35,752,221)</u></b>	<b><u>(31,649,862)</u></b>	<b><u>(13,864,808)</u></b>	<b><u>(10,258,283)</u></b>
<b><i>Cash flows from financing activities</i></b>				
Interest paid	(2,086,112)	(1,683,338)	(643,304)	(488,903)
Dividends paid to owners of the Company	(12,750,000)	(4,250,000)	(12,750,000)	(4,250,000)
Bank overdrafts	8,026,013	(1,627,735)	1,275,882	-
Proceeds from long-term loan from financial institution	-	12,499,600	-	-
Repayment of long-term loan from financial institution	(5,023,223)	(10,148,863)	-	-
<b>Net cash used in financing activities</b>	<b><u>(11,833,322)</u></b>	<b><u>(5,210,336)</u></b>	<b><u>(12,117,422)</u></b>	<b><u>(4,738,903)</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b><u>(22,647,803)</u></b>	<b><u>(22,214,593)</u></b>	<b><u>(21,888,340)</u></b>	<b><u>(18,481,397)</u></b>
Cash and cash equivalents at 1 January	<u>29,446,389</u>	<u>51,660,982</u>	<u>26,456,273</u>	<u>44,937,670</u>
<b>Cash and cash equivalents at 31 December</b>	<b><u>6,798,586</u></b>	<b><u>29,446,389</u></b>	<b><u>4,567,933</u></b>	<b><u>26,456,273</u></b>

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

# **Nation International Edutainment Public Company Limited and its Subsidiaries**

## **Notes to the financial statements**

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# Nation International Edutainment Public Company Limited and its Subsidiaries

## Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 15 February 2013.

### 1 General information

Nation International Edutainment Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at 1858/123-124, Bangna-Trad Road, Kwang Bangna, Khet Bangna, Bangkok, Thailand.

The Company was listed on the Market for Alternative Investment in November 2010

The parent company during the financial year was Nation Multimedia Group Public Company Limited (78.46% shareholding), which is incorporated in Thailand.

The principal businesses of the Company are importing, publishing and distributing local and foreign publications, production of TV programs and providing advertisements through TV media, digital media and character management. Details of the Company’s subsidiaries and jointly-controlled entity as at 31 December 2012 and 2011 are as follows:

Name of entities	Type of business	Country of incorporation	Percentage of ownership interest	
			2012	2011
<i>Direct subsidiaries</i>				
Nation Edutainment Co., Ltd.	Publishing	Thailand	99.99	99.99
Nation Kids Co., Ltd.	Production of TV programs and providing advertisements through TV media	Thailand	99.99	-
N Coupon Co., Ltd.	Sale of goods and service on internet	Thailand	-	99.98
<i>Jointly-controlled entity</i>				
Nation Egmont Edutainment Co., Ltd.	Publishing	Thailand	49.99	49.99

### 2 Basis of preparation of the financial statements

#### (a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“FAP”); applicable rules and regulations of the Thai Securities and Exchange Commission.

At 31 December 2012, the FAP has issued a number of new and revised TFRS which are expected to be effective for financial statements beginning on or after 1 January 2013 and have not been adopted in the preparation of these financial statements. These new and revised TFRS are disclosed in note 33.

# Nation International Edutainment Public Company Limited and its Subsidiaries

## Notes to the financial statements

### (b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis.

### (c) *Presentation currency*

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand, unless otherwise stated.

### (d) *Use of estimates and judgements*

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following note:

Note 17            Measurement of defined benefit obligations

## 3 **Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### (a) *Basis of consolidation*

The consolidated financial statements relate to the Company and its subsidiaries and jointly-controlled entity (together referred to as the “Group”).

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### *Jointly-controlled entity*

Jointly-controlled entity is the entity over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The consolidated financial statements include the Group’s proportionate share of the entities’ assets, liabilities, revenue and expenses combined with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

# **Nation International Edutainment Public Company Limited and its Subsidiaries**

## **Notes to the financial statements**

### *Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### **(b) Foreign currencies**

#### *Foreign currency transactions*

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

### **(c) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

### **(d) Trade and other accounts receivable**

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

### **(e) Inventories**

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost principle and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

An allowance is made for all deteriorated, damaged, obsolete and slow-moving inventories.



# Nation International Edutainment Public Company Limited and its Subsidiaries

## Notes to the financial statements

### (f) *Investments*

#### *Investments in subsidiaries and jointly-controlled entity*

Investments in subsidiaries and jointly-controlled entity in the separate financial statements of the Company are accounted for using the cost method. Investments in jointly-controlled entity in the consolidated financial statements is accounted for using the proportionate consolidation.

### (g) *Equipment*

#### *Recognition and measurement*

##### *Owned assets*

Equipment is stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment, and are recognised net within other income or expense in profit or loss.

##### *Subsequent costs*

The cost of replacing a part of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

##### *Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of equipment. The estimated useful lives are as follows:

Leased assets improvements	5	years
Furniture, fixtures and office equipment	5	years
Vehicle	5	years

No depreciation is provided on assets under installation.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

# Nation International Edutainment Public Company Limited and its Subsidiaries

## Notes to the financial statements

### (h) *Intangible assets*

Intangible assets that are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortisation and impairment losses.

#### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

#### *Amortisation*

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Computer program and software licenses	5 years
License fees - books	Based on the higher amount of amortisation between a straight-line basis over three years and calculation based on the numbers of books published and sold under the license agreements.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### (i) *Impairment*

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss.

#### *Calculation of recoverable amount*

The recoverable amount of non-financial assets is the greater of the assets' value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

# **Nation International Edutainment Public Company Limited and its Subsidiaries**

## **Notes to the financial statements**

### *Reversals of impairment*

Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **(j) Interest-bearing liabilities**

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges.

### **(k) Trade and other accounts payable**

Trade and other accounts payable are stated at cost.

### **(l) Employee benefits**

#### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

#### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The calculation is performed by a qualified actuary using the projected unit credit method.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in profit or loss.

#### *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or other benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

## **Nation International Edutainment Public Company Limited and its Subsidiaries**

### **Notes to the financial statements**

#### **(m) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### **(n) Revenue**

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

##### *Sale of goods and services rendered*

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Service income is recognised as services are provided.

##### *Investments*

Revenue from investments comprises dividend and interest income from investments and bank deposits.

##### *Dividend income*

Dividend income is recognised in profit or loss on the date the Group's right to receive payments is established.

##### *Interest income*

Interest income is recognised in profit or loss as it accrues.

#### **(o) Finance costs**

Interest expense and similar costs are recognised in profit or loss in the period in which they are incurred.

#### **(p) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

##### *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

# Nation International Edutainment Public Company Limited and its Subsidiaries

## Notes to the financial statements

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

### (q) *Income tax*

Income tax on the profit or loss for the year comprises current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

In determining the amount of current tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### (r) *Earnings per share*

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

## 4 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with subsidiaries and other related parties are described as follows:

<b>Name of entities</b>	<b>Country of incorporation /nationality</b>	<b>Nature of relationships</b>
Nation Multimedia Group Public Company Limited	Thailand	Parent, 78.46% shareholding of the Company, some common directors
Nation Edutainment Co., Ltd.	Thailand	Subsidiary, 99.99% shareholding, some common directors
Nation Kids Co., Ltd.	Thailand	Subsidiary, 99.99% shareholding, some common directors
N Coupon Co., Ltd.	Thailand	Subsidiary, 99.98% shareholding, some common directors (liquidated and dissolution on 14 December 2012)

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

<b>Name of entities</b>	<b>Country of incorporation /nationality</b>	<b>Nature of relationships</b>
Nation Egmont Edutainment Co., Ltd.	Thailand	Jointly-controlled entity, 49.99% shareholding, some common directors
Nation Broadcasting Corporation Public Company Limited	Thailand	61.10% shareholding by parent in 2012 and 61.99% shareholding by parent in 2011, some common directors
Kom Chad Luek Media Co., Ltd.	Thailand	99.99% shareholding by parent, some common directors
NML Co., Ltd.	Thailand	99.99% shareholding by parent, some common directors
Nation News Network Co., Ltd.	Thailand	99.99% shareholding by parent, some common directors
Krungthep Turakij Media Co., Ltd.	Thailand	99.99% shareholding by parent, some common directors
Nation U Co., Ltd.	Thailand	90% shareholding by parent, some common directors
WPS (Thailand) Co., Ltd.	Thailand	84.50% shareholding by parent, some common directors
Nation Printing Services Co., Ltd.	Thailand	99.99% shareholding by WPS (Thailand) Co., Ltd., some common directors (liquidated and dissolution on 18 October 2012)
Nation University	Thailand	University, a license holding by Nation U Co., Ltd.
Yomiuri-Nation Information Service Limited	Thailand	45% shareholding by parent, some common directors
Egmont International Holding A/S	Denmark	Shareholder of Nation Egmont Edutainment Co., Ltd., 49% shareholding

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

The pricing policies for particular types of transactions are explained further below:

<b>Transactions</b>	<b>Pricing policies</b>
Sales of goods and rendering of services	General market price
Interest income on loan	Approximates loan rate of financial institution
Other income	Negotiable rate which approximates market price
Cost of sale of goods and rendering of services	Negotiable rate which approximates market price
Selling and administrative expenses	Negotiable rate

Significant transactions for the years ended 31 December with related parties were as follows:

<i>Year ended 31 December</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Parent</b>				
Sales of goods and rendering of services	9,788	12,583	6,112	7,776
Cost of sales of goods and rendering of services	16,833	16,970	14,705	15,161
Selling and administrative expenses	7,033	7,093	6,118	6,563
<b>Subsidiaries</b>				
Sales of goods and rendering of services	-	-	2	32
Interest income on loan	-	-	214	177
Other income	-	-	1,157	836
<b>Jointly-controlled entity</b>				
Sales of goods and rendering of services	75,095	53,624	2,667	238
Cost of sales of goods and rendering of services	2,144	1,309	4,289	2,626
Interest income on loan	2,077	1,360	-	-
Other income	2,051	1,812	4,101	1,450
Selling and administrative expenses	2,960	2,065	2,020	1,647
<b>Other related parties</b>				
Sales of goods and rendering of services	6,072	4,703	5,700	4,672
Cost of sales of goods and rendering of services	115,254	106,111	50,089	56,375
Selling and administrative expenses	7,147	3,459	3,891	620

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

Balances as at 31 December with related parties were as follows:

<i>Trade accounts receivable from related parties</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Parent</b>				
Nation Multimedia Group Public Company Limited	2,581	4,920	2,407	3,109
<b>Subsidiary</b>				
N Coupon Co., Ltd.	-	-	-	328
<b>Jointly-controlled entity</b>				
Nation Egmont Edutainment Co., Ltd.	63,918	43,196	855	318
<b>Other related parties</b>				
Yomiuri-Nation Information Service Limited	268	275	268	275
Nation Broadcasting Corporation Public Company Limited	208	132	208	132
Kom Chad Luek Media Co., Ltd.	34	328	34	328
Others	386	29	382	43
	<u>67,395</u>	<u>48,880</u>	<u>4,154</u>	<u>4,533</u>
<i>Less allowance for doubtful accounts</i>	<i>(67)</i>	<i>(100)</i>	<i>(67)</i>	<i>(100)</i>
<b>Net</b>	<b><u>67,328</u></b>	<b><u>48,780</u></b>	<b><u>4,087</u></b>	<b><u>4,433</u></b>
Bad and doubtful debts expense for the year				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

<i>Other receivables from related parties</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Parent</b>				
Nation Multimedia Group Public Company Limited	1,016	2,087	842	658
<b>Subsidiaries</b>				
Nation Edutainment Co., Ltd.	-	-	3,376	2,207
N Coupon Co., Ltd.	-	-	-	2,611
Nation Kids Co., Ltd.	-	-	5	-
<b>Jointly-controlled entity</b>				
Nation Egmont Edutainment Co., Ltd.	13,665	12,439	27,246	20,363



**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

<i>Other receivables from related parties</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Other related parties</b>				
Krungthep Turakij Media Co., Ltd.	412	1,108	412	1,084
Nation Broadcasting Corporation Public Company Limited	44	119	44	119
Kom Chad Luek Media Co., Ltd.	163	408	163	407
Nation News Network Co., Ltd.	125	-	125	-
Others	71	230	71	14
	<u>15,496</u>	<u>16,391</u>	<u>32,284</u>	<u>27,463</u>
<i>Less allowance for doubtful accounts</i>	-	(225)	-	(10)
<b>Net</b>	<b><u>15,496</u></b>	<b><u>16,166</u></b>	<b><u>32,284</u></b>	<b><u>27,453</u></b>

Bad and doubtful debts expenses  
for the year

-	-	-	-
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<i>Short-term loan to related party</i>	<b>Interest rate</b>		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011	2012	2011
	<i>(% per annum)</i>		<i>(in thousand Baht)</i>			
<b>Subsidiary</b>						
Nation Edutainment Co., Ltd.	6.15-6.40	6.15-6.40	-	-	3,000	3,000

Movements during the years ended 31 December of short-term loan to related party were as follows:

<i>Short-term loan to related party</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Subsidiary</b>				
At 1 January	-	-	3,000	-
Increase	-	-	-	3,000
Decrease	-	-	-	-
<b>At 31 December</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>3,000</u></b>	<b><u>3,000</u></b>

<i>Trade accounts payable to related parties</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Parent</b>				
Nation Multimedia Group Public Company Limited	17,001	10,000	9,136	2,868
<b>Jointly-controlled entity</b>				
Nation Egmont Edutainment Co., Ltd.	80	404	92	463

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

<i>Trade accounts payable from related parties</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Other related parties</b>				
WPS (Thailand) Co., Ltd.	78,052	37,017	17,674	11,918
NML Co., Ltd.	4,678	3,973	3,757	3,030
Nation Broadcasting Corporation Public Company Limited	1,912	883	1,912	881
Krungthep Turakij Media Co., Ltd.	1,108	977	1,033	977
Others	100	115	16	114
<b>Total</b>	<b>102,931</b>	<b>53,369</b>	<b>33,620</b>	<b>20,251</b>

<i>Other payables to related parties</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Parent</b>				
Nation Multimedia Group Public Company Limited	5,972	3,984	5,074	3,043
<b>Subsidiary</b>				
Nation Edutainment Co., Ltd.	-	-	38	83
<b>Jointly-controlled entity</b>				
Nation Egmont Edutainment Co., Ltd.	1,574	983	1,413	1,186
<b>Other related parties</b>				
Nation Broadcasting Corporation Public Company Limited	1,453	414	1,394	370
Nation News Network Co., Ltd.	22	249	22	249
Krungthep Turakij Media Co., Ltd.	379	-	373	-
Others	363	116	280	53
<b>Total</b>	<b>9,763</b>	<b>5,746</b>	<b>8,594</b>	<b>4,984</b>

<i>Accrued expenses</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Other related parties</b>				
WPS (Thailand) Co., Ltd.	1,614	4,268	491	3,031
NML Co., Ltd.	57	-	57	-
<b>Total</b>	<b>1,671</b>	<b>4,268</b>	<b>548</b>	<b>3,031</b>

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

*Significant agreement with related party*

*Short-term loan agreement*

In 2011, the Company has entered into a short-term loan agreement with Nation Edutainment Co., Ltd., a subsidiary amounted to Baht 3 million. The loan is repayable at call and bears interest at the average Minimum Loan Rate (average MLR) from four local financial institutions.

**5 Cash and cash equivalents**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Cash on hand	303	813	167	59
Cash at banks - current accounts	1,284	31	213	54
Cash at banks - savings accounts	4,970	10,395	4,188	8,343
Highly liquid short-term investments	242	18,207	-	18,000
<b>Total</b>	<b>6,799</b>	<b>29,446</b>	<b>4,568</b>	<b>26,456</b>

Cash and cash equivalents of the Group and the Company as at 31 December 2012 and 2011 were denominated entirely in Thai Baht.

**6 Trade accounts receivable**

	<i>Note</i>	<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
		2012	2011	2012	2011
		<i>(in thousand Baht)</i>			
Related parties	4	67,395	48,880	4,154	4,533
Other parties		65,654	68,711	39,542	46,546
<b>Total</b>		<b>133,049</b>	<b>117,591</b>	<b>43,696</b>	<b>51,079</b>
<i>Less</i> allowance for doubtful accounts		(3,118)	(4,319)	(613)	(618)
allowance for goods returned		(9,560)	(10,174)	(2,245)	(2,202)
<b>Net</b>		<b>120,371</b>	<b>103,098</b>	<b>40,838</b>	<b>48,259</b>
Bad and doubtful debts expense for the year		<b>1,279</b>	<b>593</b>	<b>21</b>	<b>6</b>

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

Aging analyses for trade accounts receivable were as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Related parties</b>				
Within credit terms	21,515	14,748	2,958	3,301
Overdue:				
Less than 6 months	39,382	29,325	682	950
6-12 months	6,002	4,712	453	190
Over 12 months	496	95	61	92
	<u>67,395</u>	<u>48,880</u>	<u>4,154</u>	<u>4,533</u>
Less allowance for doubtful accounts	(67)	(100)	(67)	(100)
allowance for goods returned	-	-	-	-
	<u><b>67,328</b></u>	<u><b>48,780</b></u>	<u><b>4,087</b></u>	<u><b>4,433</b></u>
<b>Other parties</b>				
Within credit terms	55,066	52,451	31,273	37,622
Overdue:				
Less than 6 months	9,044	6,297	8,066	2,831
6-12 months	758	1,455	20	1,044
Over 12 months	786	8,508	183	5,049
	<u>65,654</u>	<u>68,711</u>	<u>39,542</u>	<u>46,546</u>
Less allowance for doubtful accounts	(3,051)	(4,219)	(546)	(518)
allowance for goods returned	(9,560)	(10,174)	(2,245)	(2,202)
	<u><b>53,043</b></u>	<u><b>54,318</b></u>	<u><b>36,751</b></u>	<u><b>43,826</b></u>
<b>Net</b>	<u><b>120,371</b></u>	<u><b>103,098</b></u>	<u><b>40,838</b></u>	<u><b>48,259</b></u>

The normal credit term granted by the Group ranges from 7 days to 90 days.

Trade accounts receivable of the Group and the Company as at 31 December 2012 and 2011 were denominated entirely in Thai Baht.

**7 Inventories**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Finished goods	167,572	154,241	61,059	58,938
Raw materials	206	185	31	-
	<u>167,778</u>	<u>154,426</u>	<u>61,090</u>	<u>58,938</u>
Less allowance for obsolete stocks	(48,695)	(60,122)	(24,906)	(26,590)
<b>Net</b>	<u><b>119,083</b></u>	<u><b>94,304</b></u>	<u><b>36,184</b></u>	<u><b>32,348</b></u>

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**8 Other current assets**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Other receivable	900	366	850	128
Prepaid expenses	22,761	7,861	16,722	2,375
Input value added tax pending	1,243	771	1,243	697
Advances to employees	702	189	586	131
Others	2,486	89	2,370	-
<b>Total</b>	<b><u>28,092</u></b>	<b><u>9,276</u></b>	<b><u>21,771</u></b>	<b><u>3,331</u></b>

**9 Investments in subsidiaries**

	<b>Separate</b>	
	<b>financial statements</b>	
	2012	2011
	<i>(in thousand Baht)</i>	
At 1 January	26,364	26,364
Acquisition	250	-
Disposal	(1,000)	-
<b>At 31 December</b>	<b><u>25,614</u></b>	<b><u>26,364</u></b>

On 26 November 2012, the Board of Directors of the Company approved to establish Nation Kids Co., Ltd. ,which its authorized share capital of Baht 1 million (divided into 100,000 shares at Baht 10 par value) and called-up share capital of 25%. The subsidiary was registered with the Ministry of Commerce on 30 November 2012.

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

Investments in subsidiaries as at 31 December, and dividend income from those investments for the years then ended, were as follows:

Name of subsidiaries	Type of business	Ownership interest		Paid-up capital		Separate financial statements				At cost-net		Dividend income	
		2012	2011	2012	2011	Cost		Impairment		2012	2011	2012	2011
		( <i>%</i> )				2012	2011	2012	2011	2012	2011	2012	2011
						<i>(in thousand Baht)</i>							
<b><i>Subsidiaries</i></b>													
Nation Edutainment Co., Ltd.	Publishing	99.99	99.99	41,250	41,250	25,364	25,364	-	-	25,364	25,364	-	-
Nation Kids Co., Ltd.	Production of TV programs and providing advertisements through TV media	99.99	-	250	-	250	-	-	-	250	-	-	-
N Coupon Co., Ltd.	Sale of goods and service on internet	-	99.98	-	1,000	-	1,000	-	-	-	1,000	-	-
<b>Total</b>						<b>25,614</b>	<b>26,364</b>	<b>-</b>	<b>-</b>	<b>25,614</b>	<b>26,364</b>	<b>-</b>	<b>-</b>

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**10 Investment in jointly-controlled entity**

	<b>Separate financial statements</b>	
	2012	2011
	<i>(in thousand Baht)</i>	
At 1 January	25,046	25,046
Acquisitions	-	-
<b>At 31 December</b>	<b><u>25,046</u></b>	<b><u>25,046</u></b>

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

Investments in jointly-controlled entity as at 31 December, and dividend income from the investment for the years then ended were as follows:

Name of jointly-controlled entity	Type of business	Ownership interest		Paid-up capital		Separate financial statements				Dividend income			
		2012	2011	2012	2011	Cost	Impairment	At cost- net		2012	2011		
		(%)				2012	2011	2012	2011	2012	2011	2012	2011
						<i>(in thousand Baht)</i>							
<b><i>Jointly-controlled entity</i></b>													
Nation Egmont Edutainment Co., Ltd.	Publishing	49.99	49.99	50,000	50,000	<u>25,046</u>	<u>25,046</u>	<u>-</u>	<u>-</u>	<u>25,046</u>	<u>25,046</u>	<u>-</u>	<u>-</u>



**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

The following summarised financial information on interest in jointly-controlled entity which have been proportionately consolidation in the consolidated financial statements represents the Group's share:

Name of jointly-controlled entity	Ownership (%)	Current assets	Non- current assets	Total assets	Current liabilities <i>(in thousand Baht)</i>	Total liabilities	Total revenues	Total expenses	Net profit (loss)
<b>2012</b>									
Nation Egmont Edutainment Co., Ltd.	49.99	<b><u>113,509</u></b>	<b><u>3,961</u></b>	<b><u>117,470</u></b>	<b><u>82,893</u></b>	<b><u>84,116</u></b>	<b><u>99,753</u></b>	<b><u>90,650</u></b>	<b><u>9,103</u></b>
<b>2011</b>									
Nation Egmont Edutainment Co., Ltd.	49.99	<b><u>84,362</u></b>	<b><u>4,249</u></b>	<b><u>88,611</u></b>	<b><u>63,611</u></b>	<b><u>64,360</u></b>	<b><u>74,027</u></b>	<b><u>79,404</u></b>	<b><u>(5,377)</u></b>

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**11 Equipment**

	<b>Consolidated financial statements</b>			
	Leased assets improvements	Furniture, fixtures and office equipment <i>(in thousand Baht)</i>	Vehicle	Total
<b>Cost</b>				
At 1 January 2011	3,105	10,695	480	14,280
Additions	121	1,021	-	1,142
Transfers	-	(200)	-	(200)
<b>At 31 December 2011 and 1 January 2012</b>	<b>3,226</b>	<b>11,516</b>	<b>480</b>	<b>15,222</b>
Additions	-	4,720	60	4,780
Disposals	(1,080)	(3,195)	(480)	(4,755)
<b>At 31 December 2012</b>	<b>2,146</b>	<b>13,041</b>	<b>60</b>	<b>15,247</b>
<b>Accumulated depreciation</b>				
At 1 January 2011	1,379	7,614	152	9,145
Depreciation charge for the year	656	784	96	1,536
<b>At 31 December 2011 and 1 January 2012</b>	<b>2,035</b>	<b>8,398</b>	<b>248</b>	<b>10,681</b>
Depreciation charge for the year	307	1,495	91	1,893
Disposals	(624)	(3,056)	(339)	(4,019)
<b>At 31 December 2012</b>	<b>1,718</b>	<b>6,837</b>	<b>-</b>	<b>8,555</b>
<b>Net book value</b>				
At 1 January 2011	1,726	3,081	328	5,135
<b>At 31 December 2011 and 1 January 2012</b>	<b>1,191</b>	<b>3,118</b>	<b>232</b>	<b>4,541</b>
<b>At 31 December 2012</b>	<b>428</b>	<b>6,204</b>	<b>60</b>	<b>6,692</b>

The gross amount of the Group's fully depreciated equipment that was still in use as at 31 December 2012 amounted to Baht 6.44 million (2011: Baht 7.60 million).

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

	<b>Separate financial statements</b>			
	Leased assets improvements	Furniture, fixtures and office equipment <i>(in thousand Baht)</i>	Vehicle	Total
<b>Cost</b>				
At 1 January 2011	1,119	3,619	480	5,218
Additions	-	454	-	454
<b>At 31 December 2011 and 1 January 2012</b>	<b>1,119</b>	<b>4,073</b>	<b>480</b>	<b>5,672</b>
Additions	-	4,317	-	4,317
Disposals	(823)	-	(480)	(1,303)
<b>At 31 December 2012</b>	<b>296</b>	<b>8,390</b>	<b>-</b>	<b>8,686</b>
<b>Accumulated depreciation</b>				
At 1 January 2011	537	2,838	152	3,527
Depreciation charge for the year	211	267	96	574
<b>At 31 December 2011 and 1 January 2012</b>	<b>748</b>	<b>3,105</b>	<b>248</b>	<b>4,101</b>
Depreciation charge for the year	23	821	91	935
Disposals	(475)	(5)	(339)	(819)
<b>At 31 December 2012</b>	<b>296</b>	<b>3,921</b>	<b>-</b>	<b>4,217</b>
<b>Net book value</b>				
<b>At 1 January 2011</b>	<b>582</b>	<b>781</b>	<b>328</b>	<b>1,691</b>
<b>At 31 December 2011 and 1 January 2012</b>	<b>371</b>	<b>968</b>	<b>232</b>	<b>1,571</b>
<b>At 31 December 2012</b>	<b>-</b>	<b>4,469</b>	<b>-</b>	<b>4,469</b>

The gross amount of the Company's fully depreciated equipment that was still in use as at 31 December 2012 amounted to Baht 2.98 million (2011: Baht 2.91 million).

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**12 Intangible assets**

<b>Consolidated financial statements</b>			
	Computer Program and software licenses	Licence fees - books	Total
	<i>(in thousand Baht)</i>		
<b>Cost</b>			
At 1 January 2011	89	71,876	71,965
Additions	1,550	31,369	32,919
Transfers	200	-	200
<b>At 31 December 2011 and 1 January 2012</b>	<b>1,839</b>	<b>103,245</b>	<b>105,084</b>
Additions	-	33,959	33,959
Disposals	(1,204)	-	(1,204)
<b>At 31 December 2012</b>	<b>635</b>	<b>137,204</b>	<b>137,839</b>
<b>Amortisation</b>			
At 1 January 2011	48	44,689	44,737
Amortisation charge for the year	212	21,154	21,366
<b>At 31 December 2011 and 1 January 2012</b>	<b>260</b>	<b>65,843</b>	<b>66,103</b>
Amortisation charge for the year	274	28,345	28,619
Disposals	(286)	-	(286)
<b>At 31 December 2012</b>	<b>248</b>	<b>94,188</b>	<b>94,436</b>
<b>Net book value</b>			
<b>At 1 January 2011</b>	<b>41</b>	<b>27,187</b>	<b>27,228</b>
<b>At 31 December 2011 and 1 January 2012</b>	<b>1,579</b>	<b>37,402</b>	<b>38,981</b>
<b>At 31 December 2012</b>	<b>387</b>	<b>43,016</b>	<b>43,403</b>
<b>Separate financial statements</b>			
	Computer Program and software licenses	Licence fees - books	Total
	<i>(in thousand Baht)</i>		
<b>Cost</b>			
At 1 January 2011	-	22,020	22,020
Additions	-	7,745	7,745
<b>At 31 December 2011 and 1 January 2012</b>	<b>-</b>	<b>29,765</b>	<b>29,765</b>
Additions	-	11,173	11,173
<b>At 31 December 2012</b>	<b>-</b>	<b>40,938</b>	<b>40,938</b>
<b>Amortisation</b>			
At 1 January 2011	-	13,271	13,271
Depreciation charge for the year	-	5,157	5,157
<b>At 31 December 2011 and 1 January 2012</b>	<b>-</b>	<b>18,428</b>	<b>18,428</b>
Amortisation charge for the year	-	8,127	8,127
<b>At 31 December 2012</b>	<b>-</b>	<b>26,555</b>	<b>26,555</b>
<b>Net book value</b>			
<b>At 1 January 2011</b>	<b>-</b>	<b>8,749</b>	<b>8,749</b>
<b>At 31 December 2011 and 1 January 2012</b>	<b>-</b>	<b>11,337</b>	<b>11,337</b>
<b>At 31 December 2012</b>	<b>-</b>	<b>14,383</b>	<b>14,383</b>

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**13 Restricted deposits**

As at 31 December 2012, the savings account of a subsidiary held with a local financial institution of Baht 2.54 million (2011: Baht 2.50 million) has been pledged as collateral for long-term loan from financial institution of Baht 10 million.

**14 Interest-bearing liabilities**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b><i>Current</i></b>				
Bank overdrafts				
Unsecured	11,130	3,104	1,276	-
Current portion of long-term loan from financial institution				
Secured	4,604	5,017	-	-
<b>Total current interest-bearing liabilities</b>	<b>15,734</b>	<b>8,121</b>	<b>1,276</b>	<b>-</b>
<b><i>Non-current</i></b>				
Long-term loans from financial institutions				
Secured	-	4,611	-	-
<b>Total non-current interest-bearing liabilities</b>	<b>-</b>	<b>4,611</b>	<b>-</b>	<b>-</b>

As at 31 December 2012, the Group and the Company had overdraft lines and other credit facilities with certain local financial institutions totalling Baht 27.03 million and Baht 6.0 million, respectively (2011: Baht 27.03 million and Baht 6.0 million, respectively) and guaranteed by the parent company.

In September 2009, a jointly-controlled entity has entered into a long-term loan agreement with a local financial institution totalling Baht 30 million. This loan bears interest at the Minimum Loan Rate (MLR) minus specified rate in the agreement. Such loan agreement was guaranteed by the Company and major shareholders of the jointly-controlled entity and savings account of such jointly-controlled entity amounted to Baht 7.6 million. As at 31 December 2011, the jointly-controlled entity has repaid the entire amount of loans.

In September 2009, a subsidiary has entered into a long-term loan agreement with a local financial institution for total Baht 10 million. This loan bears interest at the Minimum Loan Rate (MLR) minus specified rate in the agreement. Such loan agreement was guaranteed by the Company and savings account of such subsidiary amounting to Baht 2.5 million.

As at 31 December 2012, the Group and the Company have unutilised credit facilities totalling Baht 17.5 million and Baht 2.9 million, respectively (2011: Baht 13.5 million and Baht 5.3 million, respectively).

Interest - bearing liabilities of the Group as at 31 December 2012 and 2011 were denominated entirely in Thai Baht.

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**15 Trade accounts payable**

		<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
<i>Note</i>	2012	2011	2012	2011	
	<i>(in thousand Baht)</i>				
Related parties	4	102,931	53,369	33,620	20,251
Other parties		27,738	32,768	24,137	26,833
<b>Total</b>		<b>130,669</b>	<b>86,137</b>	<b>57,757</b>	<b>47,084</b>

**16 Other current liabilities**

		<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011	
	<i>(in thousand Baht)</i>				
Other payables		665	700	665	700
Output value added tax pending		2,349	2,997	2,234	2,397
Accrued withholding tax		1,465	815	963	557
Income received in advance		19	2,111	15	1,757
Others		773	7,606	542	999
<b>Total</b>		<b>5,271</b>	<b>14,229</b>	<b>4,419</b>	<b>6,410</b>

**17 Employee benefit obligations**

		<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011	
	<i>(in thousand Baht)</i>				
<b>Statement of financial position obligations for:</b>					
Post-employment benefit		<b>2,572</b>	<b>6,014</b>	<b>878</b>	<b>4,542</b>
<b>Year ended 31 December</b>					
<b>Statement of comprehensive income:</b>					
<b>Recognised in profit or loss:</b>					
Post-employment benefit		<b>2,452</b>	<b>679</b>	<b>2,254</b>	<b>501</b>

The Group operates a defined benefit pension plan based on the requirement of Thai Labour Protection Act B.E 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

Movement in the present value of the defined benefit obligations

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Defined benefit obligations at 1 January	6,014	5,335	4,542	4,041
Transfer in (out)	587	-	563	-
Benefits paid by the plan	(6,481)	-	(6,481)	-
Current service costs and interest	2,452	679	2,254	501
<b>Defined benefit obligations at 31 December</b>	<b><u>2,572</u></b>	<b><u>6,014</u></b>	<b><u>878</u></b>	<b><u>4,542</u></b>

Expense recognised in profit or loss

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Current service costs	310	427	240	315
Interest on obligation	2,142	252	2,014	186
<b>Total</b>	<b><u>2,452</u></b>	<b><u>679</u></b>	<b><u>2,254</u></b>	<b><u>501</u></b>

The expense is recognised in the following line items in the statement of comprehensive income:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Cost of sales of goods and rendering of services	237	211	105	99
Administrative expenses	2,215	468	2,149	402
<b>Total</b>	<b><u>2,452</u></b>	<b><u>679</u></b>	<b><u>2,254</u></b>	<b><u>501</u></b>

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(%)</i>			
Discount rate	4.7	4.7	4.7	4.7
Future salary increases	4.0 - 7.0	4.0 - 7.0	4.0 - 7.0	4.0 - 7.0

Assumptions regarding future mortality are based on published statistics and mortality tables.

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**18 Share capital**

	Par value per share (in Baht)	2012 Number      Amount (thousand shares / thousand Baht)		2011 Number      Amount	
<i>Authorised</i>					
At 1 January					
- ordinary shares	1	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>
<b>At 31 December</b>					
- ordinary shares	1	<u><b>85,000</b></u>	<u><b>85,000</b></u>	<u><b>85,000</b></u>	<u><b>85,000</b></u>
<i>Issued and paid-up</i>					
At 1 January					
- ordinary shares	1	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>
<b>At 31 December</b>					
- ordinary shares	1	<u><b>85,000</b></u>	<u><b>85,000</b></u>	<u><b>85,000</b></u>	<u><b>85,000</b></u>

*Share premium*

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account (“share premium”). Share premium is not available for dividend distribution.

*Expenses for issuing new ordinary share*

The directly attributable expenses of issuing new ordinary shares are accounted for a deduction from the premium on those ordinary shares.

**19 Reserve**

Reserve comprises:

*Appropriations of profit and/or retained earnings*

*Legal reserve*

Section 116 of the Public Companies Act B.E. 2535 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.



**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**20 Segment information**

The Group's operations involve a single industry segment in publishing and distributing, production of TV programs and providing advertisements through TV media, digital media and character management and are carried on in the single geographic area in Thailand. As a result, all of the revenues and operating results as reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

**21 Investment income**

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2012	2011	2012	2011
		<i>(in thousand Baht)</i>			
<b><i>Interest income</i></b>					
Subsidiaries	4	-	-	214	177
Jointly-controlled entity	4	2,077	1,360	-	-
Other parties		390	1,051	338	764
<b>Total</b>		<b>2,467</b>	<b>2,411</b>	<b>552</b>	<b>941</b>

**22 Other income**

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		2012	2011	2012	2011
		<i>(in thousand Baht)</i>			
Internal services charge		1,678	1,267	5,158	4,356
Other service income		2,544	2,001	1,908	681
Revenue from sale of scraps		966	13	74	-
Others		7,648	2,419	1,279	1,007
<b>Total</b>		<b>12,836</b>	<b>5,700</b>	<b>8,419</b>	<b>6,044</b>

**23 Selling expenses**

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		2012	2011	2012	2011
		<i>(in thousand Baht)</i>			
Personnel		13,605	5,750	10,197	2,263
Marketing		13,228	5,807	12,307	3,872
Others		6,034	3,724	4,885	2,359
<b>Total</b>		<b>32,867</b>	<b>15,281</b>	<b>27,389</b>	<b>8,494</b>

**24 Administrative expenses**

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		2012	2011	2012	2011
		<i>(in thousand Baht)</i>			
Personnel		16,274	15,065	12,427	11,597
Administrative		22,294	25,561	9,208	10,576
Others		4,362	4,679	3,647	3,750
<b>Total</b>		<b>42,930</b>	<b>45,305</b>	<b>25,282</b>	<b>25,923</b>

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**25 Employee benefit expenses**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Management</b>				
Wages and salaries	8,140	7,557	5,066	3,132
Contribution to defined contribution plans	473	390	296	147
Others	1,532	777	1,029	79
	<b>10,145</b>	<b>8,724</b>	<b>6,391</b>	<b>3,358</b>
<b>Other employees</b>				
Wages and salaries	40,171	32,991	25,709	19,763
Contribution to defined contribution plans	1,818	1,206	1,031	546
Others	9,906	7,010	7,328	4,374
	<b>51,895</b>	<b>41,207</b>	<b>34,068</b>	<b>24,683</b>
<b>Total employee benefit expenses</b>	<b>62,040</b>	<b>49,931</b>	<b>40,459</b>	<b>28,041</b>

*Defined contribution plans*

The defined contribution plans comprise provident fund established by the Group for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates of 5% of their basic salaries and by the Group at rates ranging from 5% to 7.5% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as juristic entities and is managed by licensed Fund Manager.

**26 Expenses by nature**

The statements of income include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follow:

	<i>Note</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		2012	2011	2012	2011
		<i>(in thousand Baht)</i>			
Changes in finished goods		(13,351)	(18,438)	(2,152)	(15,418)
Paper , printing service and delivery costs		122,901	109,203	63,434	58,192
Other production expenses		14,884	7,617	6,194	2,262
Operation expenses		43,251	54,408	13,834	25,917
Sharing service expenses		31,740	26,799	18,888	17,604
Selling expenses		19,262	9,531	17,192	6,231
Employee benefit expenses	25	62,040	49,931	40,459	28,041

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Depreciation	1,893	1,536	935	574
License fees	49,038	36,176	11,237	7,470
Bad and doubtful debts expenses	1,279	593	21	6
Loss on (reversal of) obsolete stocks	<u>(11,427)</u>	<u>(7,079)</u>	<u>(1,685)</u>	<u>1,998</u>
<b>Total costs, selling expenses, administrative expenses and management fee</b>	<b><u>321,510</u></b>	<b><u>270,277</u></b>	<b><u>168,357</u></b>	<b><u>132,877</u></b>

**27 Income tax expense**

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively.

**28 Basic earnings per share**

The calculations of basic earnings per share for the years ended 31 December 2012 and 2011 were based on the profit for the years attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the years as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht / thousand shares)</i>			
<b>Profit attributable to ordinary shareholders of the Company (basic)</b>	<b><u>28,208</u></b>	<b><u>17,480</u></b>	<b><u>11,020</u></b>	<b><u>20,059</u></b>
<b>Number of ordinary shares outstanding</b>	<b><u>85,000</u></b>	<b><u>85,000</u></b>	<b><u>85,000</u></b>	<b><u>85,000</u></b>
<b>Earnings per share (basic) <i>(in Baht)</i></b>	<b><u>0.33</u></b>	<b><u>0.21</u></b>	<b><u>0.13</u></b>	<b><u>0.24</u></b>

# **Nation International Edutainment Public Company Limited and its Subsidiaries**

## **Notes to the financial statements**

### **29 Dividends**

At the annual general meeting of the shareholders of the Company held on 7 April 2011, the shareholders approved the appropriation of dividend of Baht 0.15 per share, amounted to Baht 12.75 million from the operating result 2010. The dividend of Baht 0.10 per share, amounted to Baht 8.50 million was paid to shareholders as the interim dividend during the year 2010 and the dividend of Baht 0.05 per share, amounted to Baht 4.25 million was paid to shareholders during the year 2011.

At the annual general meeting of the shareholders of the Company held on 24 April 2012, the shareholders approved the appropriation of dividends from the 2011 operating result of Baht 0.15 per share, amounted to Baht 12.75 million. The dividend was paid to shareholders during the year 2012.

### **30 Financial instruments**

#### *Financial risk management policies*

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

#### *Capital management*

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.

#### *Interest rate risk*

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows. The management believes that the Group has low interest rate risk because it has minimal borrowing and its borrowing interest rate is the market rate.

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature or re-price were as follows:

	Effective interest rates (% per annum)	Consolidated financial statements		
		Within 1 year	After 1 year but within 5 years (in thousand Baht)	Total
<b>2012</b>				
<b>Current</b>				
Bank overdrafts	7.43 - 7.48	11,130	-	11,130
Current portion of long-term loan from financial institution	8.22	4,604	-	4,604
<b>Total</b>		<b>15,734</b>	<b>-</b>	<b>15,734</b>
<b>2011</b>				
<b>Current</b>				
Bank overdrafts	6.15 - 8.10	3,104	-	3,104
Current portion of long-term loan from financial institution	8.45	5,017	-	5,017
<b>Non Current</b>				
Long-term loan from financial institution	8.45	-	4,611	4,611
<b>Total</b>		<b>8,121</b>	<b>4,611</b>	<b>12,732</b>

***Credit risk***

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. However, due to the large number of parties comprising the Group's customer base, Management does not anticipate material losses from its debt collection.

***Liquidity risk***

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

**Nation International Edutainment Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

*Determination of fair values*

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of trade and other short-term receivables is taken to approximate the carrying value.

The fair value of financial assets and liabilities is taken to approximate the carrying value.

**31 Commitments with non-related parties**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<i>Non-cancellable operating lease commitments</i>				
Within one year	14,489	2,958	12,188	1,233
After one year but within five years	31,304	3,217	30,431	1,335
<b>Total</b>	<b>45,793</b>	<b>6,175</b>	<b>42,619</b>	<b>2,568</b>
<i>Other commitment</i>				
Bank guarantees	<b>1,839</b>	<b>687</b>	<b>1,660</b>	<b>657</b>

- The Company has entered into lease and service agreements for its office premises and facilities with a local company for the period of 2 years and 10 months, commencing from 1 February 2012 to 30 November 2014 with an option to renew.
- The jointly-controlled entity has entered into the warehouse rental agreements with two local companies. The jointly-controlled entity agrees to pay rental fees at the rate specified in the agreements. The agreements have durations for 3 years, expiring on 30 November 2013 and 31 December 2013, respectively.
- The Company has entered into a rights for broadcasting agreement with a local company for the period of 2 years, commencing from 15 July 2012 to 15 July 2014.
- The Company has entered into service agreement covering television broadcasting satellite service with a local company. The detail is as follow:

<u>Contract date</u>	<u>Contract period</u>	<u>Periods</u>	<u>Total fee</u>
22 May 2012	16 June 2012 to 30 June 2017	5 years	USD 1.36 million

# Nation International Edutainment Public Company Limited and its Subsidiaries

## Notes to the financial statements

### 32 Events after the reporting period

At the Board of Directors' meeting of the Company held on 15 February 2013, the Board of Directors' has passed the following resolutions:

- 32.1 Approved the appropriation of interim dividends from the 2012 operating result and retained earnings to shareholders of Baht 0.15 per share, amounting to Baht 12.75 million.
- 32.2 Approved the increase in authorised share capital of 85,000,000 ordinary shares, Baht 1 par value to offer to the existing shareholders at the ratio of 1 new share for 1 exiting share held with the price of Baht 4.
- 32.3 Approved the increase in authorised share capital of 85,000,000 ordinary shares, Baht 1 par value to reserve for the exercise of warrant issued and offer to the existing shareholders as the allotment as described in 32.2 with the proportion ratio of 1 warrant to 1 existing share held with no value.
- 32.4 Approved the increase in authorised share capital of 4,250,000 ordinary shares, Baht 1 par value to reserve for the exercise warrant issued under the Employee Stock Option Program (ESOP) to sell to the directors, management and/or employees of the Company and/or the subsidiary.

Such interim dividends and increase in authorised share capital are subject to final approval in the shareholders' meeting.

### 33 Thai Financial Reporting Standards (TFRS) not yet adopted

The Group has not adopted the following new and revised TFRS that have been issued as of the reporting date but are not yet effective. The new and revised TFRS are expected to become effective for annual financial periods beginning on or after 1 January in the year indicated in the following table.

TFRS	Topic	Year effective
TAS 12	Income Taxes	2013
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates	2013
TFRS 8	Operating Segments	2013

Management expects to adopt and apply these new TFRS in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of those new standards assessed to have the greatest potential impact on the financial statements in the period of initial application. These standards are as follows:

#### *TAS 12 - Income taxes*

The principal change introduced by TAS 12 is the requirement to account for deferred tax liabilities and assets in the financial statements. Deferred tax liabilities and assets are the amounts of income taxes payable and recoverable, respectively, in future periods in respect of temporary differences between the carrying amount of the liability or asset in the statement of financial position and the amount attributed to that liability or asset for tax purposes; and the carry forward of unused tax losses. Currently, the Group does not recognise deferred tax in the financial statements.

The Group will adopt TAS 12 with effect from 1 January 2013. The effects of the change will be recognised retrospectively in the financial statements and the statement of financial position as at 31 December 2012 and 2011 will be adjusted accordingly. Management estimates that the impact on the statements of financial position as at 31 December 2012 and 2011 will be as follows:

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	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
<b><i>Statement of financial position</i></b>				
Estimated changes as a result of the adoption				
Retrospectively of TAS 12 – Income taxes:				
Increase in deferred tax assets	15.62	18.88	5.62	6.66
Increase in retained earnings	15.62	18.88	5.62	6.66

The impact on the statements of comprehensive income for 2013 and subsequent periods is not presently determinable.

***TAS 21 (revised 2009) - The effects of changes in foreign exchange rates***

The principal change introduced by TAS 21 is the introduction of the concept of functional currency, which is defined as the currency of the primary economic environment in which the entity operates. TAS 21 requires the entity to determine its functional currency and translate foreign currency items into its functional currency, reporting the effects of such translation in accordance with the provisions of TAS 21. Foreign currencies are defined by TAS 21 as all currencies other than the entity's functional currency.

Management has determined that the functional currency of the Company is Thai Baht. Accordingly, the adoption of TAS 21 from 1 January 2013 is not expected to have a significant impact on the Group's reported assets, liabilities or retained earnings.

***TFRS 8 - Operating segments***

The principal change introduced by TFRS 8 is the introduction of the concept of presenting operating segments based on the information that internally is provided to the Group's chief operating decision maker. Since the change in accounting policy only impacts disclosure aspects, there is no impact on the Group's financial statements.