

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

Interim financial statements
and
Review Report of Certified Public Accountant

For the three-month period ended
31 March 2011



I have previously audited the consolidated and separate financial statements for the year ended 31 December 2010 of Nation International Edutainment Public Company Limited and its subsidiaries, and of Nation International Edutainment Public Company Limited, respectively, in accordance with generally accepted auditing standards and expressed an unqualified opinion on those financial statements in my report dated 14 February 2011. As explained in notes 2 and 3 to the accompanying financial statements, those financial statements have been restated consequent to the adoption of certain new and revised financial reporting standards. I have audited the adjustments that were applied to the restatement of those financial statements and in my opinion those adjustments are appropriate and have been properly applied. Other than the audit of those adjustments, I have not performed any auditing procedures since the date of my audit report. The consolidated and separate statements of financial position as at 31 December 2010, which are included in the accompanying financial statements for comparative purposes, are components of those restated financial statements.

(Vichien Thamtrakul)
Certified Public Accountant
Registration No. 3183

KPMG Phoomchai Audit Ltd.
Bangkok
11 May 2011



KPMG Phoomchai Audit Ltd.

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Review Report of Certified Public Accountant

To the Board of Directors of Nation International Edutainment Public Company Limited

I have reviewed the accompanying consolidated and separate statements of financial position as at 31 March 2011, and the related statements of comprehensive income, changes in equity and cash flows for the three-month periods ended 31 March 2011 and 2010 of Nation International Edutainment Public Company Limited and its subsidiaries, and of Nation International Edutainment Public Company Limited, respectively. The Company's management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to issue a report on these financial statements based on my reviews.

I conducted my reviews in accordance with the auditing standard on review engagements. This Standard requires that I plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit in accordance with generally accepted auditing standards. I have not performed an audit and, accordingly, I do not express an audit opinion on the reviewed financial statements.

Based on my reviews, nothing has come to my attention that causes me to believe that the financial statements referred to above are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

As explained in notes 2 and 3 to the interim financial statements, with effect from 1 January 2011, the Company has adopted certain new and revised financial reporting standards. The consolidated and separate financial statements for the three-month period ended 31 March 2010, which are included in the accompanying financial statements for comparative purposes, have been restated accordingly.

Nation International Edutainment Public Company Limited and its Subsidiaries

Statements of financial position

As at 31 March 2011 and 31 December 2010

Assets	Note	Consolidated		Separate	
		financial statements		financial statements	
		31 March	31 December	31 March	31 December
		2011	2010	2011	2010
		(Unaudited)		(Unaudited)	
		<i>(in thousand Baht)</i>			
Current assets					
Cash and cash equivalents		26,325	21,631	19,557	14,908
Current investments		30,030	30,030	30,030	30,030
Trade accounts receivable	5	87,451	91,085	27,412	32,660
Accrued income		6,875	11,215	2,254	9,555
Other receivables from related parties	4	9,022	12,756	20,127	21,607
Short-term loans to related party	4	-	-	3,000	-
Inventories		79,326	68,788	22,848	18,928
Other current assets		10,687	9,382	7,701	6,699
Total current assets		249,716	244,887	132,929	134,387
Non-current assets					
Investments in subsidiaries	6	-	-	26,364	26,364
Investments in jointly-controlled entity	7	-	-	25,046	25,046
Equipment	8	5,058	5,135	1,594	1,690
Intangible assets	9	30,720	27,228	10,489	8,749
Restricted deposits	10	3,773	3,773	-	-
Other non-current assets		711	630	300	293
Total non-current assets		40,262	36,766	63,793	62,142
Total assets		289,978	281,653	196,722	196,529

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

Nation International Edutainment Public Company Limited and its Subsidiaries

Statements of financial position

As at 31 March 2011 and 31 December 2010

Liabilities and equity	Note	Consolidated financial statements		Separate financial statements	
		31 March 2011 (Unaudited)	31 December 2010	31 March 2011 (Unaudited)	31 December 2010
<i>(in thousand Baht)</i>					
Current liabilities					
Bank overdrafts	11	3,227	4,732	-	-
Trade accounts payable	12	75,532	76,184	45,755	49,141
Other payables to related parties	4	6,708	6,436	4,764	4,627
Current portion of long-term loan from financial institution	11	7,834	7,276	-	-
Income tax payable		8,180	5,975	4,904	3,319
Accrued expenses	4	21,844	23,304	5,836	6,674
Other current liabilities		13,853	13,656	5,833	8,265
Total current liabilities		137,178	137,563	67,092	72,026
Non-current liabilities					
Employee benefit obligations	13	5,505	-	4,166	-
Total liabilities		142,683	137,563	71,258	72,026
Equity					
Share capital					
Authorised share capital		85,000	85,000	85,000	85,000
Issued and paid-up share capital		85,000	85,000	85,000	85,000
Premium on ordinary shares		18,352	18,352	18,352	18,352
Retained earnings					
Appropriated					
Legal reserve		8,500	8,500	8,500	8,500
Unappropriated		35,442	32,237	13,612	12,651
Total equity attributable to owners of the Company		147,294	144,089	125,464	124,503
Non-controlling interests		1	1	-	-
Total equity		147,295	144,090	125,464	124,503
Total liabilities and equity		289,978	281,653	196,722	196,529

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

Nation International Edutainment Public Company Limited and its Subsidiaries

Statements of comprehensive income

For the three-month periods ended 31 March 2011 and 2010 (Unaudited)

	<i>Note</i>	Consolidated		Separate	
		financial statements		financial statements	
		2011	2010	2011	2010
		<i>(in thousand Baht)</i>			
<i>Income</i>	4				
Revenue from sale of goods		49,559	51,362	13,048	15,204
Revenue from rendering of services		24,091	22,510	22,951	22,467
Investment income		445	263	149	-
Other income		834	1,883	1,390	2,172
Total income		74,929	76,018	37,538	39,843
<i>Expenses</i>					
Cost of sale of goods and rendering of services	4	50,336	48,590	23,262	22,751
Selling expenses	4	1,287	921	1,138	525
Administrative expenses	4	10,182	12,921	5,756	6,655
Management benefit expenses		2,073	2,306	736	1,268
Finance costs		306	158	59	99
Total expenses		64,184	64,896	30,951	31,298
Profit before income tax expense		10,745	11,122	6,587	8,545
Income tax expense		(2,205)	(3,421)	(1,585)	(2,958)
Profit for the period		8,540	7,701	5,002	5,587
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		8,540	7,701	5,002	5,587

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

Nation International Edutainment Public Company Limited and its Subsidiaries

Statements of comprehensive income

For the three-month periods ended 31 March 2011 and 2010 (Unaudited)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
<i>(in thousand Baht)</i>					
Profit attributable to:					
Owners of the Company		8,540	7,701	5,002	5,587
Non-controlling interests		-	-	-	-
Profit for the period	15	<u>8,540</u>	<u>7,701</u>	<u>5,002</u>	<u>5,587</u>
Total comprehensive income					
Owners of the Company		8,540	7,701	5,002	5,587
Non-controlling interests		-	-	-	-
Total comprehensive income for the period		<u>8,540</u>	<u>7,701</u>	<u>5,002</u>	<u>5,587</u>
Basic earnings per share (Baht)	15	<u>0.10</u>	<u>0.11</u>	<u>0.06</u>	<u>0.08</u>

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

Nation International Edutainment Public Company Limited and its Subsidiaries

Statements of changes in equity

For the three-month periods ended 31 March 2011 and 2010 (Unaudited)

		Consolidated financial statements						
		<u>Retained earnings</u>				Total equity		
		Issued and paid-up share capital	Premium on ordinary shares	Legal reserve	Unappropriated of the Company	Non-controlling interests	Total equity	
		<i>(in thousand Baht)</i>						
Balance at 1 January 2010		70,000	-	8,500	34,720	113,220	1	113,221
Comprehensive income for the period		-	-	-	7,701	7,701	-	7,701
Balance at 31 March 2010		<u>70,000</u>	<u>-</u>	<u>8,500</u>	<u>42,421</u>	<u>120,921</u>	<u>1</u>	<u>120,922</u>
Balance at 1 January 2011 - as reported		85,000	18,352	8,500	32,237	144,089	1	144,090
Impact of changes in accounting policies	3	-	-	-	(5,335)	(5,335)	-	(5,335)
Balance at 1 January 2011 - adjusted		85,000	18,352	8,500	26,902	138,754	1	138,755
Comprehensive income for the period		-	-	-	8,540	8,540	-	8,540
Balance at 31 March 2011		<u>85,000</u>	<u>18,352</u>	<u>8,500</u>	<u>35,442</u>	<u>147,294</u>	<u>1</u>	<u>147,295</u>

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

Nation International Edutainment Public Company Limited and its Subsidiaries

Statements of changes in equity

For the three-month periods ended 31 March 2011 and 2010 (Unaudited)

Separate financial statements	Retained earnings				Total equity attributable to owners of the Company
	Issued and paid-up share capital	Premium on ordinary shares	Legal reserve	Unappropriated	
	<i>(in thousand Baht)</i>				
Balance at 1 January 2010	70,000	-	8,500	17,165	95,665
Comprehensive income for the period	-	-	-	5,587	5,587
Balance at 31 March 2010	<u>70,000</u>	<u>-</u>	<u>8,500</u>	<u>22,752</u>	<u>101,252</u>
Balance at 1 January 2011 - as reported	85,000	18,352	8,500	12,651	124,503
Impact of changes in accounting policies	-	-	-	(4,041)	(4,041)
Balance at 1 January 2011 - adjusted	<u>85,000</u>	<u>18,352</u>	<u>8,500</u>	<u>8,610</u>	<u>120,462</u>
Comprehensive income for the period	-	-	-	5,002	5,002
Balance at 31 March 2011	<u>85,000</u>	<u>18,352</u>	<u>8,500</u>	<u>13,612</u>	<u>125,464</u>

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

Nation International Edutainment Public Company Limited and its Subsidiaries

Statements of cash flows

For the three-month periods ended 31 March 2011 and 2010 (Unaudited)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2011	2010	2011	2010
	<i>(in thousand Baht)</i>			
<i>Cash flows from operating activities</i>				
Profit for the period	8,540	7,701	5,002	5,587
<i>Adjustments for</i>				
Depreciation	382	263	135	107
Amortisation	4,501	4,915	1,045	1,972
Investment income	(445)	(263)	(149)	-
Finance costs	306	158	59	99
Doubtful debts expense	187	442	-	7
Loss on obsolete stocks (reversal)	(966)	2,258	(355)	1,226
Equipment written-off	-	234	-	-
Income tax expense	2,205	3,421	1,585	2,958
	<u>14,710</u>	<u>19,129</u>	<u>7,322</u>	<u>11,956</u>
<i>Changes in operating assets and liabilities</i>				
Trade accounts receivable	3,447	427	5,247	889
Accrued income	4,340	(1,423)	7,301	(1,070)
Other receivables from related parties	3,735	1,932	1,480	1,103
Inventories	(9,572)	(4,433)	(3,564)	(2,491)
Other current assets	(1,305)	(1,105)	(1,002)	(1,723)
Other non-current assets	(82)	-	(7)	-
Trade accounts payable	(652)	(5,450)	(3,387)	(3,521)
Other payables to related parties	272	417	136	230
Accrued expenses	(1,460)	972	(837)	2,454
Other current liabilities	197	83	(2,432)	(852)
Employee benefit obligations	170	-	125	-
Other non-current liabilities	-	-	-	(96)
Income taxes paid	-	(134)	-	(124)
Net cash provided by operating activities	<u>13,800</u>	<u>10,415</u>	<u>10,382</u>	<u>6,755</u>
<i>Cash flows from investing activities</i>				
Interest received	445	263	149	-
Purchase of equipment	(299)	(737)	(38)	(186)
Short-term loans to related party	-	-	(3,000)	-
Purchase of intangible assets	(8,000)	(7,840)	(2,785)	(2,868)
Net cash used in investing activities	<u>(7,854)</u>	<u>(8,314)</u>	<u>(5,674)</u>	<u>(3,054)</u>

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

