

**REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT**

To the Shareholders of SE-EDUCATION PUBLIC COMPANY LIMITED

I have audited the balance sheets of SE-EDUCATION PUBLIC COMPANY LIMITED as of December 31, 2005, the related statements of income, changes in shareholders' equity and cash flow for the year then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness in the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements for the year ended on December 31, 2004 which were shown for comparative purpose were audited by another auditor in the same firm who expressed an unqualified opinion in the Auditor's report dated February 11, 2005. The financial statements of associated company as mentioned in the notes to the financial statements no.8.3, which the investment in them were recorded by the equity method, have been reviewed by another auditors. I have received the reports of those auditors. My report presented regarding the amounts of transactions of the said associated companies, which included in these financial statements, is based on the reports of said another auditors. As of December 31, 2005, the investment in the said associated company at Baht 33.14 million equivalent to 2.30% of the total asset in the balance sheet and the participating loss in the associated company included in the statement of income for the year then ended at Baht 1.70 million equivalent to 0.90% of the net profit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SE-EDUCATION PUBLIC COMPANY LIMITED as of December 31, 2005, the results of its operations, and cash flow for the year then ended, in conformity with generally accepted accounting principles.

SAM NAK- NGAN A.M.C. CO., LTD.

( Miss Sukanya Suthesprasert )  
Certified Public Accountant (Thailand) No. 5063

Bangkok,  
February 24, 2006

## SE-EDUCATION PUBLIC COMPANY LIMITED

## BALANCE SHEETS

As of December 31, 2005 and 2004

(Unit : Baht)

		2005	2004
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalent items		316,075,813.87	142,825,561.52
Short-term investment-net (net from allowance for diminution of value in year 2005 and 2004 in amount of Baht (5,757) thousand and Baht (5,558) thousand respectively)	(Note 5)	182,718,703.86	161,938,919.59
Trade accounts and notes receivable-net	(Note 6)	83,939,509.94	83,740,934.17
Loan due from an associated company	(Note 4)	9,000,000.00	-
Inventories-net	(Note 7)	226,026,870.27	153,488,650.28
Other current assets		35,666,656.12	27,415,518.84
TOTAL CURRENT ASSETS		853,427,554.06	569,409,584.40
NON-CURRENT ASSETS			
Investments in subsidiary and associated companies	(Note 8)	50,650,667.54	34,837,233.21
Property, plant and equipment-net	(Note 9)	255,282,034.74	241,942,722.51
Leasehold on buildings-net	(Note 10)	166,861,601.31	137,008,959.41
Assets pending for sales-net	(Note 11)	21,000,000.00	21,000,000.00
Land not used for operation-net	(Note 12)	32,367,498.94	32,433,316.93
Other non-current assets		62,677,008.71	71,175,611.74
TOTAL NON-CURRENT ASSETS		588,838,811.24	538,397,843.80
TOTAL ASSETS		1,442,266,365.30	1,107,807,428.20

Notes to financial statements are an integral part of the above statements.

## SE-EDUCATION PUBLIC COMPANY LIMITED

## BALANCE SHEETS

As of December 31, 2005 and 2004

(Unit : Baht)

	2005	2004
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Bank overdrafts	58,331,724.50	60,579,408.22
Trade accounts and notes payable	648,570,955.69	432,742,133.38
Accrued expenses	32,378,315.19	27,535,913.29
Accrued corporate income tax	40,137,019.48	22,626,483.40
Other current liabilities	44,512,181.55	46,578,448.76
<b>TOTAL CURRENT LIABILITIES</b>	<b>823,930,196.41</b>	<b>590,062,387.05</b>
NON-CURRENT LIABILITIES		
Other-non current liabilities	5,035,838.20	2,668,616.46
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>5,035,838.20</b>	<b>2,668,616.46</b>
<b>TOTAL LIABILITIES</b>	<b>828,966,034.61</b>	<b>592,731,003.51</b>
SHAREHOLDERS' EQUITY		
Share capital	(Note 13)	
Authorized share capital		
348,128,690 ordinary shares @ Baht 1.00 each	348,128,690.00	348,128,690.00
Issued and paid-up share capital		
322,135,910 ordinary shares @ Baht 1.00 each	322,135,910.00	-
314,152,170 ordinary shares @ Baht 1.00 each	-	314,152,170.00
Premiums on share capital	147,776,311.25	144,388,836.25
Capital surplus from assets revaluation	17,344,226.09	19,483,961.72
Unrealized loss - securities available for sale	(5,756,671.03)	(5,558,140.99)
Retained earnings		
Appropriated		
Legal reserve	(Note 14) 35,626,916.56	32,085,816.62
Treasury stock reserve	(Note 15) 122,641,095.00	122,641,095.00
Unappropriated	96,173,637.82	10,523,781.09
<u>Less</u> Treasury stock 19,783,600 shares @ Baht 6.20 each	(Note 15) (122,641,095.00)	(122,641,095.00)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>613,300,330.69</b>	<b>515,076,424.69</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,442,266,365.30</b>	<b>1,107,807,428.20</b>

Notes to financial statements are an integral part of the above statements.

## SE-EDUCATION PUBLIC COMPANY LIMITED

## STATEMENTS OF INCOME

For the Years ended on December 31, 2005 and 2004

(Unit : Baht)

	2005	2004
REVENUES FROM OPERATION		
Sales	3,365,001,439.53	2,833,648,547.03
Other income	24,615,294.59	21,116,194.31
Participating gain in the associated companies	1,513,434.33	1,575,691.03
TOTAL REVENUES	<u>3,391,130,168.45</u>	<u>2,856,340,432.37</u>
EXPENSES FROM OPERATION		
Cost of sales	2,332,844,882.37	1,981,604,000.48
Selling and administrative expenses	791,154,528.59	705,015,247.21
Directors' remuneration (Note 16)	2,723,000.00	2,426,000.00
TOTAL EXPENSES	<u>3,126,722,410.96</u>	<u>2,689,045,247.69</u>
PROFIT BEFORE INTEREST EXPENSES AND CORPORATE INCOME TAX	264,407,757.49	167,295,184.68
INTEREST EXPENSES	(156,776.18)	(238,833.27)
CORPORATE INCOME TAX (Note 17)	(76,337,032.94)	(50,094,747.51)
NET PROFIT	<u><u>187,913,948.37</u></u>	<u><u>116,961,603.90</u></u>
BASIC EARNINGS PER SHARE (Note 18)	0.63	0.41
DILUTED EARNINGS PER SHARE (Note 18)	0.59	0.38

Notes to financial statements are an integral part of the above statements.

**SE-EDUCATION PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the Years ended on December 31, 2005 and 2004**

(Unit : Baht)

	Issued and paid-up share capital	Premiums on share capital	Capital surplus from assets revaluation	Unrealized gain(loss) on securities available for sale	Retained earnings		Treasury Stock	Total
					Appropriated	Unappropriated		
Balance as of January 1, 2004	255,071,000.00	107,829,742.25	21,954,446.25	1,077,936.95	25,131,822.09	154,978,983.92	-	566,043,931.46
Depreciation-Capital surplus from assets revaluation	-	-	(2,470,484.53)	-	-	-	-	(2,470,484.53)
Unrealized loss-securities available for sale	-	-	-	(6,636,077.94)	-	-	-	(6,636,077.94)
Unrealized transaction in the income statements	255,071,000.00	107,829,742.25	19,483,961.72	(5,558,140.99)	25,131,822.09	154,978,983.92	-	556,937,368.99
Shares purchase by exercising warrants of shareholders, directors, employees (Note 13)	59,081,170.00	36,559,094.00	-	-	-	-	-	95,640,264.00
Appropriation for legal reserve in the period (Note 14)	-	-	-	-	6,953,994.53	(6,953,994.53)	-	-
Appropriation for treasury stock (Note 15)	-	-	-	-	122,641,095.00	(122,641,095.00)	-	-
Dividend payment (Note 14)	-	-	-	-	-	(131,821,717.20)	-	(131,821,717.20)
Purchase of treasury stock (Note 15)	-	-	-	-	-	-	(122,641,095.00)	(122,641,095.00)
Net profit for the year	-	-	-	-	-	116,961,603.90	-	116,961,603.90
Balance as of December 31, 2004	314,152,170.00	144,388,836.25	19,483,961.72	(5,558,140.99)	154,726,911.62	10,523,781.09	(122,641,095.00)	515,076,424.69
Depreciation-Capital surplus from assets revaluation	-	-	(2,139,735.63)	-	-	-	-	(2,139,735.63)
Unrealized loss-securities available for sale	-	-	-	(198,530.04)	-	-	-	(198,530.04)
Unrealized transaction in the income statements	314,152,170.00	144,388,836.25	17,344,226.09	(5,756,671.03)	154,726,911.62	10,523,781.09	(122,641,095.00)	512,738,159.02
Shares purchase by exercising warrants of shareholders, directors, employees (Note 13)	7,983,740.00	3,387,475.00	-	-	-	-	-	11,371,215.00
Appropriation for legal reserve in the period (Note 14)	-	-	-	-	3,541,099.94	(3,541,099.94)	-	-
Dividend payment (Note 14)	-	-	-	-	-	(98,722,991.70)	-	(98,722,991.70)
Net profit for the year	-	-	-	-	-	187,913,948.37	-	187,913,948.37
Balance as of December 31, 2005	322,135,910.00	147,776,311.25	17,344,226.09	(5,756,671.03)	158,268,011.56	96,173,637.82	(122,641,095.00)	613,300,330.69

Notes to financial statements are an integral part of the above statements.

## SE-EDUCATION PUBLIC COMPANY LIMITED

## STATEMENTS OF CASH FLOW

For the Years ended on December 31, 2005 and 2004

(Unit : Baht)

	2005	2004
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit	187,913,948.37	116,961,603.90
Adjustment to net profit for cash receipts (payments) from operation		
Gain from short-term investment	(978,314.31)	-
Realized loss on disposal of securities available for sale	-	1,552,402.66
Doubtful debts and bad debt (return of bad debts)	403,066.56	(720,373.33)
Loss from estimation of returned goods (reversal)	(113,277.96)	(210,779.23)
Adjustment for clearing of trade accounts receivable	621,263.98	-
Loss from lost goods	32,662,042.59	26,258,879.87
Loss from dilapidated and slow moving goods	9,967,118.27	6,812,361.11
Participating gain from investment in associated companies	(1,513,434.33)	(1,575,691.03)
Depreciation - assets for operation	76,106,617.29	64,086,390.32
Asset donation	520,910.95	35,627.57
Loss from amortized assets	506,035.16	-
Gain on disposal of assets	(514,015.68)	(181,367.92)
Leasehold written-off	12,237,274.74	9,399,912.75
Depreciation - assets not used for operation	65,817.99	65,990.17
Adjustment for clearing of trade accounts payable	8,557,192.81	1,685,891.33
Profit from operating before change in operating assets and liabilities	326,442,246.43	224,170,848.17
(Increase)Decrease in trade accounts and notes receivable	(1,109,628.35)	(3,695,468.04)
(Increase)Decrease in inventories	(115,622,981.51)	(49,347,686.74)
(Increase)Decrease in other current assets	(8,251,137.28)	(4,505,188.11)
(Increase)Decrease in other non-current assets	(21,717,784.64)	(33,891,705.60)
Increase(Decrease) in trade accounts and notes payable	207,271,629.50	13,885,856.58
Increase(Decrease) in accrued expenses	4,842,401.90	2,578,257.61
Increase(Decrease) in accrued corporate income tax	17,510,536.08	(13,551,317.35)
Increase(Decrease) in other current liabilities	(2,066,267.21)	8,732,187.04
Increase(Decrease) in other non-current liabilities	2,367,221.74	510,077.52
Net cash received (used) from operating activities	409,666,236.66	144,885,861.08

Notes to financial statements are an integral part of the above statements.

**SE-EDUCATION PUBLIC COMPANY LIMITED**

**STATEMENTS OF CASH FLOW**

**For the Years ended on December 31, 2005 and 2004**

**(Unit : Baht)**

	2005	2004
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of securities available for sale	(20,000,000.00)	(211,396,060.57)
Cash receipt from disposal of securities available for sales	-	298,318,651.84
(Increase) Decrease in loan due from an associated company	(9,000,000.00)	-
Additional investment in associated company	(15,000,000.00)	-
Purchase of assets	(92,157,013.60)	(86,642,305.30)
Cash receipt from disposal of assets	514,018.68	182,242.99
Purchase of leasehold	(11,873,528.97)	(30,534,137.00)
Dividend receipt from investment in associated company	700,000.00	700,000.00
Net cash received from (used in) investing activities	(146,816,523.89)	(29,371,608.04)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase(Decrease) in bank overdrafts	(2,247,683.72)	39,758,883.19
Cash receipt from additional warrants exercised to purchase shares	11,371,215.00	95,640,264.00
Purchase of treasury stock	-	(122,641,095.00)
Dividend payment	(98,722,991.70)	(131,821,717.20)
Net cash received from (used in) financing activities	(89,599,460.42)	(119,063,665.01)
Cash and cash equivalent items increase(decrease) - net	173,250,252.35	(3,549,411.97)
Cash and cash equivalent items at the beginning of the period	142,825,561.52	146,374,973.49
Cash and cash equivalent items at the end of the period	316,075,813.87	142,825,561.52
<b>Supplementary disclosures to the cash flow statements</b>		
<b>1 Cash paid during the period:</b>		
Interest paid	156,776.18	238,833.27
Corporate income tax	58,826,496.86	63,072,801.39
<b>2 Items do not affect cash flow</b>		
2.1 For the years ended on December 31, 2005 and 2004 , the Company adjusted unrealizable gain(loss) on revaluation of securities available for sale with the shareholders' equity amounting to Baht (0.20) million and Baht (6.64) million respectively.		
2.2 For the year ended on December 31, 2005, the Company transferred the guarantee for leasehold on building amounting to Baht 30.22 million to leasehold on building since the leasehold right have been transferred during the first quarter of 2005.		
<b>3 Cash and cash equivalent items consist of;</b>		
Cash	14,934,637.33	15,940,453.69
Cash at bank (not exceeding 3-months)	187,141,176.54	126,885,107.83
Government bond (maturity period not exceeding 3 months)	114,000,000.00	-
	316,075,813.87	142,825,561.52

Notes to financial statements are an integral part of the above statements.

**SE-EDUCATION PUBLIC COMPANY LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005 and 2004**

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1. General information

The Company was registered for establishment as a limited company on July 29, 1974 and was converted to a public company limited on April 29, 1993, registration number 0107536000285. The Company is situated at 46/87-90 Nation Tower Building, 19<sup>th</sup> Floor, Bangna-Trad Road, Bangna, Bangkok 10260.

- Major areas of business:

1. Sell books and magazines on a retail basis through their own SE-ED book centers and Book Variety.
2. Publish and distribute their own technical books and magazines, as well as distribute books from other publishers and organizations to nationwide bookshops.
3. Advertising services magazines published by SE-ED.
4. Publishing engagement and sell electronic parts and equipments.

- Employee information

	For the Year	
	ended on December 31,	
	<u>2005</u>	<u>2004</u>
Average number of employees (person)	1,970	1,942
Employee expenses (Million Baht)	259.95	251.15

2. Basis of financial statement preparation

2.1 The financial statements were prepared in accordance with the generally accepted accounting principle under the Accounting Act B.E. 2543 which implies the accounting standard determined by the Federation of Accounting Professions, set up in accordance with the Accounting Professions Act. B.E.2547 which has been announced to be effective and in accordance with the determination of the Office of the Securities and Exchange Committee on the subject of preparation and presentation of the financial reports.

2.2 Preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosure. The actual results may differ from those estimates.

- 2.3 The Company did not prepare the consolidated financial statements between the Company and the SE-ED Book Center Co., Ltd., which is a subsidiary company since the investment value in such subsidiary is not material to the Company financial statements.
- 2.4 The Company prepares the financial statements in the Thai language in accordance with Thai Law which were translated into English language for the convenience of the readers.
- 2.5 The financial statements for the year ended on December 31, 2004 have been reclassified by reclassifying the leasehold to prepaid expense and shown in the other non-current assets amounting to Baht 30.22 million for comparison with the financial statements for the year ended on December 31, 2005.

### 3. Summary of significant accounting policies

The significant accounting policies can be summarized as follows:-

- 3.1 - Sales are recognized when goods have already been delivered to customers except goods on consignment whose sales are recognized when such goods are checked at the consignees place at the end of agreed period.
- Revenue from advertising are recognized once the advertisement is released.
- 3.2 Cash and cash equivalent items includes bank deposit in the types of saving, current and not exceeding three-month fixed deposit and government bond with maturity not exceeding three-month period with no guarantee obligation.
- 3.3 The short term investments are investments in personal funds, mutual funds and opened-ended mutual funds units, which are regarded as securities available for sales and valued at fair value. The Company recognizes the change of value as separate caption in the shareholders' equity and accounted in the statement of income when such investment is sold.
- 3.4 Allowance for doubtful debts is made by estimating each of the uncollectible accounts receivable.
- 3.5 The Company has the policy to set up the allowance for returned goods at the percentage rate of the average returned goods for the year of the upcountry sales.
- 3.6 Inventories
- Paper-raw materials are valued at cost price under simple average method or net realizable value, whichever is lower. Work in process are valued at actual cost.
- Finished goods produced by the Company holds accounting policies as follows:
- Finished goods at head office and consignment on hand are valued at cost price under simple average method or net realizable value, whichever is lower.

- Finished goods purchased for sale are valued at cost price under simple average method or net realizable value, whichever is lower.
- Returned periodicals are not valued.
- Allowance for diminution in value of inventories is based on obsolete, out of date, dilapidated goods.
- Allowance for lost inventories; the Company holds the policy of allowance for lost inventories at the rate of 1.11 percent of sales at respective branch, which the Company revises such allowance after the inventory taking at the respective branch.

### 3.7 Property, plant and equipment

3.7.1 Land and building are valued at fair value which are appraised by an independent appraiser.

The Company holds policy that an independent professional appraiser appraises the value of assets every 5 years. During this period if there are any other factors which materially affect the value of assets, the Company will arrange for new appraisal by an independent professional appraiser in that year. Any increase of new appraised price is regarded as surplus from assets appraisal in the caption of shareholders' equity and any decrease of new appraised price is regarded as loss from decrease in assets appraisal in the statement of income.

3.7.2 Decoration, office equipment, air-conditions and vehicles are recorded at cost less accumulated depreciation.

3.7.3 The depreciation are calculated on a straight-line method over the estimated useful life are as follow:

- Building	20 years
- Furniture and office equipment	5 years
- Air-conditions	5 years
- Vehicles	5 years

The Company records depreciation as expense in the period. The Company takes depreciation of increase in appraised price out of the surplus from assets appraisal in the caption of shareholders' equity.

3.8 Accrued foreign copyright expenses are calculated by the rate specified in the agreement on an accrual basis.

3.9 Investments in associated company are recorded by equity method and investment in the subsidiary company is recorded by cost method since the investment value in subsidiary company is not material to the Company financial statements.

3.10 Items denominated in foreign currencies are recorded in Baht at the exchange rate ruling on the day that transaction occurs, while the remaining balances of assets and liabilities denominated in foreign currencies at the year-end are translated into Baht at the prevailing exchange rate on that date, and the gain or loss arising from such translated is included in the related statement of income.

#### 3.11 Earnings per share

- Basic earnings per share are calculated by dividing net profit with the weighted average number of issued and paid-up shares during the period.
- Diluted earnings per share is calculated by dividing net profit with the sum of weighted average number of issued and paid up shares and the weighted average number of diluted ordinary share equivalents that needed to cover the warrants converted to ordinary stock.

3.12 Financial assets and liabilities as presented in balance sheets are consisted of cash and cash at bank, short-term investment, trade accounts receivable and notes receivable, overdrafts and trade accounts payable and notes payable. The particular accounting policy for each transaction is respectively disclosed in each related caption.

#### 4. Inter - company transactions

The Company constitutes accounting transactions incurred with related entities, comprising the same group of shareholders or common directors. The materially remaining balance and inter-transactions between the company and related entities are as follows:

##### 4.1 Inter-asset and liabilities

(Unit : Thousand Baht)

		<u>As of December 31,</u>	
		<u>2005</u>	<u>2004</u>
<u>Type of relation</u>			
<u>Loan due from associated company</u>			
Pleam Patt Co.,Ltd.	Associated company	9,000	-
<u>Accrued interest receivable</u>			
Pleam Patt Co.,Ltd.	Associated company	174	-
<u>Trade accounts payable</u>			
M AND E Co.,Ltd.	Associated company	2,088	2,119
Nation Multi Media Group Public Co.,Ltd.	Shareholders (Year 2004)	4,280	1,322
Nation Egmont Edutainment Co.,Ltd.	Company related with shareholder (Year 2004)	13,263	8,296
Nation Book International Co.,Ltd.	Company related with shareholder (Year 2004)	12,817	9,664
Bliss Publishing Co., Ltd.	Company related with shareholder	1,708	3,470

As at December 31, 2005, the whole amount of loan due from an associated company that operate in the business of private educational institution was in the form of promissory note with a maturity period of 1 year. The interest rate is the rate of credit interest of a commercial bank at MLR+1. The objective of the loan is for the associated company to use for construction and working capital for the school.

#### 4.2 Inter-revenues and expenses

		(Unit : Thousand Baht)		
		For the year		
		ended on December 31,		
	<u>Type of relation</u>	<u>2005</u>	<u>2004</u>	<u>Policy of Inter-price setting</u>
<u>Interest receivable values</u>				
Plearn Patt Co., Ltd.	Associated company	505	-	MLR+1
<u>Purchase goods values</u>				
M AND E Co.,Ltd.	Associated company	2,903	2,412	Market price
Nation Multi Media Group Public Co.,Ltd.	Shareholder (Year 2004)	30,120	4,252	Market price
Nation Egmont Edutainment Co., Ltd.	Company related with shareholder (Year 2004)	11,140	10,220	Market price
Nation Book International Co., Ltd.	Company related with shareholder (Year 2004)	28,027	31,594	Market price
Bliss Publishing Co., Ltd.	Company related with shareholder	6,381	6,493	Market price
Nation Broadcasting Corporation Co., Ltd.	Company related with shareholder (Year 2004)	2,021	338	Market price
<u>Rental and service charge</u>				
Nation Multi Media Group Public Co.,Ltd.	Shareholder (year 2004)	7,826	7,688	Agreed upon price

In the second quarter of 2005, Nation Multi Media Group Public Company Limited, the major shareholders of the Company, disposed the investment in the ordinary shares of SE-EDUCATION PUBLIC COMPANY LIMITED to a company and the transfer of ownership was performed on June 20, 2005.

#### 5. Short - term investment-net

Consisted of: -

		( Unit : Baht )	
		<u>As of December 31,</u>	
		<u>2005</u>	<u>2004</u>
Securities available for sales: -			
- Investment in personal funds		117,957,803.86	118,586,099.59
- Investment in mutual fund		44,760,900.00	43,352,820.00
- Government bond (exceeding 3-month maturity period)		20,000,000.00	-
Total		182,718,703.86	161,938,919.59

6. Trade accounts and notes receivable – net

Consisted of: -

	(Unit : Baht)	
	<u>As of December 31,</u>	
	<u>2005</u>	<u>2004</u>
Trade accounts receivable		
Within credit term	42,391,364.09	40,583,253.43
Over credit term less than 6 months	39,751,685.68	39,060,077.77
Over credit term more than 6 months to 12 months	3,913,220.88	4,810,778.51
Over credit term more than 12 months	21,723,659.00	20,799,573.43
Total	107,779,929.65	105,253,683.14
Notes receivable	3,653,940.98	5,691,823.12
<u>Less</u> Allowance for doubtful debts	(24,005,263.04)	(23,602,196.48)
Allowance for returned goods	(3,489,097.65)	(3,602,375.61)
Net	83,939,509.94	83,740,934.17

As at December 31, 2005, for the trade accounts receivable that were over credit term for more than 12 month, the majority of it has the provision set up since the year 1998. It is in the process of filing the application for debt repayment to the Comptroller in Bankruptcy where the Bankruptcy Court issued a court order of absolute receivership for the said debtor on October 13, 2005 which the court official scheduled to review the application for debt repayment on March 23, 2006

7. Inventories-net

Consisted of: -

	(Unit: Baht)	
	<u>As of December 31,</u>	
	<u>2005</u>	<u>2004</u>
Paper and package	12,220,922.45	6,099,100.42
Work-in-process	9,691,570.12	7,712,065.32
Finished goods	271,630,424.93	192,463,724.27
Total	293,542,917.50	206,274,890.01
<u>Less</u> Allowance for lost goods	(20,105,095.02)	(15,342,405.79)
Allowance for dilapidated and slow moving goods	(47,410,952.21)	(37,443,833.94)
Net	226,026,870.27	153,488,650.28

8. Investments in subsidiary and associated companies

Consisted of: -

(Unit: Baht)

		As of December 31, 2005					
	<u>Nature of business</u>	<u>Paid-up share capital</u>	<u>Percentage of share holdings</u>	<u>Cost</u>	<u>Investments</u>		<u>Dividend</u>
					<u>Cost Method</u>	<u>Equity Method</u>	
Subsidiary company							
SE-ED Book Center Co., Ltd.	Business consulting firm	100,000.00	99.93%	99,930.00	99,930.00	-	-
Associated companies							
M AND E Co., Ltd.	Printing office company, produces technical magazines and engineering manuals	400,000.00	25.00%	100,000.00	-	17,410,634.35	700,000.00
Plearn Patt Co., Ltd.	Institute of private education - Ploen Pattana School	124,350,000.00	26.00%	38,000,000.00	-	33,140,103.19	-
				38,199,930.00	99,930.00	50,550,737.54	700,000.00

		As of December 31, 2004					
	<u>Nature of business</u>	<u>Paid-up share capital</u>	<u>Percentage of share holdings</u>	<u>Cost</u>	<u>Investments</u>		<u>Dividend</u>
					<u>Cost Method</u>	<u>Equity Method</u>	
Subsidiary company							
SE-ED Book Center Co., Ltd.	Business consulting firm	100,000.00	99.93%	99,930.00	99,930.00	-	-
Associated companies							
M AND E Co., Ltd.	Printing office company, produces technical magazines and engineering manuals	400,000.00	25.00%	100,000.00	-	14,899,973.04	700,000.00
Plearn Patt Co., Ltd.	Institute of private education - Ploen Pattana School	80,000,000.00	28.75%	23,000,000.00	-	19,837,330.17	-
				23,199,930.00	99,930.00	34,737,303.21	700,000.00

- 8.1 Investments in the SE-ED Book Center Co., Ltd., which is a subsidiary company, the Company recorded investment by cost method since the investment's value in the subsidiary company did not materially effect the Company's financial statements.
- 8.2 For the year ended on December 31, 2005, the Company did not recognize participating from operations in M AND E CO., LTD., since the associated company did not prepare the quarterly financial statements and year end closing. However, the Company received the financial statements for the year ended on December 31, 2004 of M AND E CO., LTD., which were audited by another auditor. The Company consequently recorded participating from operations in such associated company in the income statement for the year ended on December 31, 2005 for the amount of Baht 3.21 million was equivalent to 1.71% of net profit and as of December 31, 2005 and 2004, investment in the said associated company for the amount of Baht 17.41 million and Baht 14.90 million was equivalent 1.21% and 1.34% of total assets respectively.
- 8.3 The financial statements for the year ended on December 31, 2005 and 2004 of Plearn Patt Co., Ltd. which is an associated company, were used to account for investment by equity method and these financial statements have been reviewed by another auditor. As at December 31, 2005 and 2004 the investment in associated company for the amount of Baht 33.14 million and Baht 19.84 million equivalent to 2.30% and 1.79% of total assets in the balance sheet respectively, and participating loss from operation in that associated company as presented in the statement of income for the years ended on the same date for the amount of Baht 1.70 million and Baht 1.35 million equivalent to 0.90% and 1.15% of net profit respectively.

## 9. Property, plant and equipment-net

Consisted of: -

	(Unit : Baht)						
Descriptions	Land	Building	Building decoration	Office equipments and air conditioners	Vehicles	Work in progress	Total
<b>Cost</b>							
As of December 31, 2004	4,714,125.00	2,353,700.00	218,892,282.39	275,089,201.93	26,810,276.12	2,482,377.15	530,341,962.59
Purchase/transfer in	-	-	30,928,505.62	55,281,501.68	2,137,276.24	27,312,915.74	115,660,199.28
Sale/transfer out	-	-	(35,742,180.75)	(1,097,206.16)	(1,383,388.85)	(23,503,185.68)	(61,725,961.44)
As of December 31, 2005	4,714,125.00	2,353,700.00	214,078,607.26	329,273,497.45	27,564,163.51	6,292,107.21	584,276,200.43
<b>Accumulated depreciation</b>							
As of December 31, 2004	-	(2,353,699.00)	(141,880,812.53)	(145,830,767.51)	(17,817,922.67)	-	(307,883,201.71)
Depreciation for year	-	-	(29,358,327.83)	(43,008,778.00)	(3,739,511.46)	-	(76,106,617.29)
Sale/transfer out	-	-	35,411,450.47	856,590.99	1,383,385.55	-	37,651,427.31
As of December 31, 2005	-	(2,353,699.00)	(135,827,689.89)	(187,982,954.52)	(20,174,048.28)	-	(346,338,391.69)
<b>Capital surplus from assets revaluation</b>							
As of December 31, 2004	17,344,225.00	7,392,092.32	-	-	-	-	24,736,317.32
Decrease in capital surplus	-	-	-	-	-	-	-
As of December 31, 2005	17,344,225.00	7,392,092.32	-	-	-	-	24,736,317.32
<b>Accumulated depreciation-capital surplus</b>							
As of December 31, 2004	-	(5,252,355.69)	-	-	-	-	(5,252,355.69)
Depreciation for the year	-	(2,139,735.63)	-	-	-	-	(2,139,735.63)
Decrease in capital surplus from	-	-	-	-	-	-	-
As of December 31, 2005	-	(7,392,091.32)	-	-	-	-	7,392,091.32
<b>Net Book Value</b>							
As of December 31, 2004	22,058,350.00	2,139,737.63	77,011,469.86	129,258,434.42	8,992,353.45	2,482,377.15	241,942,722.51
As of December 31, 2005	22,058,350.00	2.00	78,250,917.37	141,290,542.93	7,390,115.23	6,292,107.21	255,282,034.74
<b>Depreciation in the income statement</b>							
<b>for the years</b>							
ended on December 31, 2004	-	-	-	-	-	-	64,086,390.32
ended on December 31, 2005	-	-	-	-	-	-	76,106,617.29

As of December 31, 2005, the Company amortized the decoration cost of renovated branches at the net book value of Baht 0.51 million with the cost value of Baht 35.74 million.

As of December 31, 2005 and 2004, the Company has fixed asset which were fully depreciated at the cost value of Baht 147.98 million and Baht 138.94 million respectively, which some of these asset were still in used.

## 10. Leasehold on buildings-net

The whole amount of the leasehold on buildings was for areas in leading shopping centers in order to open 13 branches of SE-ED Book Center. Most of these leaseholds were for the period of approximately 15-30 years. For the years ended on December 31, 2005 and 2004, these leasehold rights were amortized to expenses by the amount of Baht 12.24 million and Baht 9.40 million respectively.

11. Assets pending for sales - net

Consisted of: -

(Unit : Baht)

	<u>As of December 31,</u>	
	<u>2005</u>	<u>2004</u>
Cost	38,912,859.15	38,912,859.15
<u>Less</u> Allowance for impairment of assets	(17,912,859.15)	(17,912,859.15)
Net	<u>21,000,000.00</u>	<u>21,000,000.00</u>

12. Land not used for operation-net

Consisted of:-

(Unit : Baht)

	<u>Land not used for operation</u>	<u>Land improvement not used for operation</u>	<u>Total</u>
<b>Cost</b>			
As of December 31, 2004	49,495,608.93	658,413.00	50,154,021.93
As of December 31, 2005	49,495,608.93	658,413.00	50,154,021.93
<b>Accumulated depreciation</b>			
As of December 31, 2004	-	(225,096.07)	(225,096.07)
Depreciation for the year	-	(65,817.99)	(65,817.99)
As of December 31, 2005	-	(290,914.06)	(290,914.06)
<b>Allowance for impairment</b>			
As of December 31, 2004	(17,495,608.93)	-	(17,495,608.93)
As of December 31, 2005	(17,495,608.93)	-	(17,495,608.93)
<b>Net Book Value</b>			
As of December 31, 2004	32,000,000.00	433,316.93	32,433,316.93
As of December 31, 2005	32,000,000.00	367,498.94	32,367,498.94

Depreciation in the income statement for the years

ended on December 31, 2004	65,990.17
ended on December 31, 2005	65,817.99

### 13. Share capital

In accordance with the resolution of the annual general shareholders' meeting No. 1/2001 held on April 30, 2001, it was resolved to issued warrants as follows: -

- 13.1 Warrants to purchase ordinary shares for the existing shareholders at the ratio of 1 warrant to 1 ordinary share. The right to exercise warrants for existing shareholders is at the price of Baht 1.65 per unit with the maturity period of 5 years commencing from the date of warrant issuance. The warrants' right can be exercise every 3 month and the last date to exercise the right is December 15, 2006.
- 13.2 Warrants to purchase ordinary shares for the directors, employees and sub-agents at the price of Baht 1.00 per unit. It divided into 5 versions. The period of exercising each version of right is 1 year apart. The warrants' right can be exercised every 3 month and the last date to exercise the right is January 14, 2008. The right of each version can be exercised to purchase ordinary shares in the proportion of 10%, 10%, 10%, 30% and 40% of the entire number of rights received respectively.

For the year ended on December 31, 2005, directors and employees had exercised their rights to purchase ordinary shares in number of 2,772,240 units and existing shareholders had exercised their rights to purchase ordinary shares in number of 5,211,500 units. Thus the Company had increased the issued and paid up share capital and the premiums on share capital by the total of Baht 7.98 million and Baht 3.39 million respectively. The Company registered the change in paid-up share capital on December 22, 2005. The remaining balance of exercisable warrants not yet exercises are 92,880 units for directors and employees and 2,826,490 units for existing shareholders. The remaining warrants not yet exercisable for the directors and employees as in the said terms is 23,073,280 units.

### 14. Dividend payment and legal reserve

Consist of:

	<u>Resolutions of the</u>		<u>Year 2005 operating result</u>				
	<u>Company's Board</u>	<u>Meeting date</u>	<u>Dividends</u>	<u>Dividends</u>	<u>Dividend Paid</u>	<u>Legal reserve</u>	
	<u>meeting</u>		<u>payment date</u>	<u>Per share</u>	<u>Totaling</u>	<u>% of</u>	<u>Amount</u>
				<u>(Baht)</u>	<u>(Million Baht)</u>	<u>Net profit</u>	<u>(Million Baht)</u>
Quarter 1	2/2005	12/05/2005	10/06/2005	0.10	30.02	5%	1.71
Quarter 2	4/2005	11/08/2005	09/09/2005	0.10	30.14	-	-
Quarter 3	5/2005	14/11/2005	09/12/2005	0.10	30.16	-	-
		Total		0.30	90.32		1.71

<u>Year 2004 operating result</u>							
	<u>Resolutions of the Company's Board/ Shareholder meeting</u>	<u>Meeting date</u>	<u>Dividends payment date</u>	<u>Dividends Per share (Baht)</u>	<u>Dividend Paid Totaling (Million Baht)</u>	<u>Legal reserve % of Net profit</u>	<u>Amount (Million Baht)</u>
Quarter 1	2/2004	14/05/2004	14/06/2004	0.10	27.74	5%	1.47
Quarter 2	3/2004	11/08/2004	08/09/2004	0.10	29.31	5%	1.56
Quarter 3	5/2004	12/11/2004	09/12/2004	0.06	17.62	5%	0.98
Quarter 4	1/2005	27/04/2005	25/05/2005	0.028	8.40	5%	1.83
Total				0.288	83.07		5.84

<u>Year 2003 operating result</u>							
	<u>Resolutions of the Company's Board/ Shareholder meeting</u>	<u>Meeting date</u>	<u>Dividends payment date</u>	<u>Dividends Per share (Baht)</u>	<u>Dividend Paid Totaling (Million Baht)</u>	<u>Legal reserve % of Net profit</u>	<u>Amount (Million Baht)</u>
Quarter 1	2/2003	12/05/2003	09/06/2003	0.10	21.38	5%	1.15
Quarter 2	3/2003	11/08/2003	05/09/2003	0.10	21.38	5%	1.86
Quarter 3	4/2003	14/11/2003	11/12/2003	0.10	21.39	5%	1.88
Quarter 4	1/2004	27/04/2004	24/05/2004	0.20	57.15	5%	2.94
Total				0.50	121.30		7.83

#### 15. Treasury stock

In accordance to the resolutions of the Board of directors' meeting No. 1/2004 held on February 24, 2004, it was resolved to buy back treasury shares with the objective for financial management as the Company had excess liquidity. The Company, therefore, set up a project to buy back 25.78 million shares with the limiting amount of not exceeding Baht 160 million. The buy back treasury shares was determined to be proceeded from March 11, 2004 to September 11, 2004. From April 2, 2004 to September 8, 2004 the total treasury shares bought back under the said project amounting to 19.78 million shares with the total value of Baht 122.64 million. The Company set a policy to sale buy back treasury shares to less than 3 years after the six-month of buy back period.

In accordance to the resolutions of the board of directors' meeting No. 4/2004 held on September 6, 2004, it was resolved to increase the amount of reserve for buy back treasury shares by Baht 10 million. Therefore the formerly the maximum reserve amount of Baht 160 million for buying back treasury shares changed to the maximum reserve amount of Baht 170 million for buying back treasury shares. This only changed the maximum amount of money for buying back treasury shares, not affecting the number of buy back treasury shares.

According to the Federation of Accounting Professions' announcement no. Sor. Sor. Vor. Bor. Chor. 016/2548 dated February 4, 2005, required public limited companies that buy back treasury shares should have retained earnings not less than the amount of the buy back treasury shares remain in the account. In the event the retained earning is used to pay dividends, the retained earning after the dividend payment should not be less than the buy back treasury shares. This is to be in accordance with the announcement of the Judicial Council, which deliberated the issue of treasury share schemes under Section 66/1(2) of the Public Limited Companies Act B.E. 2535.

As at December 31, 2005, the Company had buy back treasury shares of 19.78 million shares equal to 6.14 % of the total shares sold. The total of the buy back treasury shares is Baht 122.64 million and the Company has appropriated the retained earning as the treasury stock reserve for the whole amount

#### 16. Directors' remuneration

Director's remuneration is the contribution paid to Company's directors in accordance with Section 90 of the Public Companies Act., exclusive of salaries and related fringe benefits payable to executive directors.

#### 17. Corporate income tax

For the year ended of December 31, 2005, the Company calculated income tax at 25% of net book profit before recognition of participating gain (loss) from investments in associated company plus prohibited expenses under the Revenue Code over which taxable rate is the new rate attributable to Royal Decree No. 387 (B.E. 2544).

18. Basic and diluted earnings per share

	For the three-month periods ended on December 31,					
	<u>Net profit</u>		<u>Weighted average number</u>		<u>Earnings per share</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>Baht</u>	<u>Baht</u>	<u>Shares</u>	<u>Shares</u>	<u>Baht</u>	<u>Baht</u>
Basic earnings per share						
Net profit	65,741,030.13	36,647,741.88	302,115,254	293,773,907	0.22	0.12
Effect of diluted equivalent ordinary shares						
The balance of warrants able to be exercised						
25,992,650 units (Year 2004 : 33,976,390 units)	-	-	20,886,252	27,294,425	-	-
Diluted earnings per share						
Net profit of ordinary shareholders						
assuming the conversion into ordinary shares	65,741,030.13	36,647,741.88	323,001,506	321,068,332	0.20	0.11

	For the years ended on December 31,					
	<u>Net profit</u>		<u>Weighted average number</u>		<u>Earnings per share</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>Baht</u>	<u>Baht</u>	<u>Shares</u>	<u>Shares</u>	<u>Baht</u>	<u>Baht</u>
Basic earnings per share						
Net profit	187,913,948.37	116,961,603.90	300,105,205	282,477,545	0.63	0.41
Effect of diluted equivalent ordinary shares						
The balance of warrants able to be exercised						
25,992,650 units (Year 2004 : 33,976,390 units)	-	-	20,539,342	27,593,616	-	-
Diluted earnings per share						
Net profit of ordinary shareholders						
assuming the conversion into ordinary shares	187,913,948.37	116,961,603.90	320,644,547	310,071,161	0.59	0.38

For the years ended on December 31, 2005 and 2004, the diluted earnings per share was calculated by including the number of the ordinary shares that the Company may have to issue even when the determined condition or event has not occurred yet, with consideration of the effect of the exercisable warrants but not yet been exercised.

19. Disclosure of sectoral business operations

The Company operates in one principal business sector, namely business of production and sale of books and confines its operation only in one geographical area i.e. in Thailand. Thus all income, profit and assets shown in the financial statements were related to the said business sector and geographical area.

20. The statements of income for the three-month periods ended on December 31, 2005 and 2004

The statements of income for the three-month periods ended on December 31, 2005 and 2004, were reviewed in accordance with the auditing standard issued by the Institute of Certified Accountants and Auditors of Thailand as follows:

		<b>Unaudited</b>	
		<b>Limited Review Only</b>	
		(Unit : Thousand Baht)	
		For the three-month periods	
		ended on December 31,	
		<u>2005</u>	<u>2004</u>
REVENUES FROM OPERATION			
Sales		919,019	761,879
Other income		6,521	4,442
Total Revenues		<u>925,540</u>	<u>766,321</u>
EXPENSES FROM OPERATION			
Cost of sales		622,518	533,259
Selling and administrative expenses		211,508	180,278
Participating loss in associated company		366	162
Directors' remuneration	(Note 16)	164	164
Total Expenses		<u>834,556</u>	<u>713,863</u>
PROFIT BEFORE INTEREST EXPENSES AND			
CORPORATE INCOME TAX		90,984	52,458
INTEREST EXPENSES		(8)	(50)
CORPORATE INCOME TAX	(Note 17)	<u>(25,235)</u>	<u>(15,760)</u>
NET PROFIT		<u>65,741</u>	<u>36,648</u>
BASIC EARNINGS PER SHARE (BAHT)	(Note 18)	0.22	0.12
DILUTED EARNINGS PER SHARE (BAHT)	(Note 18)	0.20	0.11

## 21. The provident fund

The Company has established provident fund in accordance with the Provident Fund Act B.E. 2530. Employees who are members contribute for each month and the company respectively contributes equally the other portion to the provident fund which one domestic finance institution is appointed as the fund manager.

## 22. Subsequent events

As at January 16, 2006, directors and employees had exercised their rights to purchase ordinary shares in number of 7,724,160 units resulted in the issued and paid up share capital of the Company increased by Baht 7.72 million. The Company registered the change in paid-up share capital on January 27, 2006.

## 23. Financial instruments

The Company obtains non-material risk with respect to the change of interest rates and exchange rates. Due to the business's expansion, the Company's investment is utilized by current cash flow; however long term liabilities which incurred interest obligation do not exist. The nature of the Company's operation related to foreign currency has non-material proportion so the Company did not use financial instruments to ledge against the risk. Moreover, when the nature of the Company's operation related to foreign currencies shows an increased proportion, when the Company, as a result, would consider the adoption of appropriate financial instruments to hedge against such risk. Nevertheless, the Company holds no policy to adopt any with financial instrument off the balance sheets which are derivative instruments for speculative or for trade purpose.

### 23.1 Risk on credit provision

The Company obtains risk from provision in relation to trade debtors. Nevertheless, the Company constitutes the careful policy in granting credit. Hence, the Company does not anticipate any material indemnity from debt collection.

### 23.2 Risk on interest rates

Risk on interest rate is derived from the change of interest rates in the future which affects upon the Company operating result and cash flow. Due to the short term investment which generates interest receivable and dividend fluctuated to the market rates (Floating interest rate), the Company, therefore, does not adopt any financial instrument to hedge against such risk.

### 23.3 Fair value

Since the financial assets and liabilities are mainly classified under short-term type, such book values of financial asset and liabilities are presented in the value, which are not materially different from their fair values. Regarding the short-term investment, the Company has adjusted investment value to its fair value.

## 24. Obligations and contingent liabilities

24.1 As of December 31, 2005 and 2004, the Company also holds contingent liabilities and obligations with a bank in relation to letter of guarantee for the amount of Baht 3.52 million and Baht 3.90 million respectively.

24.2 The Company has entered into agreements of building lease and agreements of service with the company and an outside party so as to use as head office and the distribution center of merchandise. The Company has also entered into area rental agreements so as to use as branch offices totaling 183 branches. The leased period ranged from 1 to 10 years. The total rental fee and public utility service fee that the Company has to pay are approximately Baht 261.18 million per year.

The Company has entered into two lease agreements for a warehouse (Kingkaew Road) with the lease period of 3 years commencing from January 1, 2006 to December 31, 2008 with the contractual value of Baht 46.37 million. As of June 7, 2005, the Company has issued a post-date cheque dated on January 1, 2006 for the amount of Baht 10.64 million as the advance payment for the first year rental fee of the warehouse, to comply with the mutually agreed covenant.

## 25. Approval of financial statements

These financial statements have been approved by the Company's board of directors of SE-EDUCATION PUBLIC COMPANY LIMITED.

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