



บริษัท ซีเอดยูเคชั่น จำกัด (มหาชน)
SE-EDUCATION PUBLIC COMPANY LIMITED

Management Discussion and Analysis

As of December 31, 2012

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Management Discussion and Analysis: SE-ED

1. OVERVIEW

As a result of the government's policy to increase the minimum wage to THB 300 per day in 7 pilot provinces and by 39.5% in other provinces since April 2012 and the salary adjustment of for civil servants with bachelor degrees to THB 15,000 per month, the Company's operation cost has increased. Because the majority of the Company's employees work in the operation level, the Company needs to review and adjust salaries for employees in every department so that the payment structure remains competitive in the labor market. The Company's business also yields moderate gross profits while the Company cannot set prices for most products. Consequently, the Company's operation cost is higher than the growth rate of revenue. In spite of the government's tax adjustment from 30% to 23%, the Company cannot compensate the additional expenses.

As the economy is in recession while the competition is more aggressive, the number of new branches that the Company plans to open in department stores drops from the forecast. In 2012, the Company opens 47 new branches. As of December 31, 2012, there is a total of 438 branches and 24 points of sale in operation. Therefore, the total revenue of 2012 increases from the previous year by 2.99% and the net profit to shareholders' equity according to the consolidated financial statement in 2012 amounts to THB 203.45 million.

The Company's board approved and agreed to propose paying dividend payments of 2012 in ordinary shares and cash at the forthcoming Annual General Meeting (AGM). Dividend payments ordinary shares in the ratio of ten (10) current shares per one (1) dividend share, not exceeding in total of 35,631,320 shares, or THB 35,631,320 or shall be converted to be THB 0.10 per share. In case that any shareholders hold the indivisible share remaining after such allocation, the dividend shall be paid by cash in the amount of THB 0.10 per share. This would lead to increase the Company's stock liquidity and retain the working capital for Company's operation in order to prepare for future investment and expansion and also to grant investment benefit to existing shareholders by providing the dividend shares instead of cash dividend.

Paid dividend by cash at the rate of THB 0.41112 per share, or not exceeding in total of THB 146.50 million. However, the Company already paid some interim dividend of the first three quarters at THB 0.10 per share in total of THB 106.90 million. Thus, the additional dividend by cash of this period will be THB 0.11112 per share, or not exceeding THB 39.60 million.

The total of the stock dividend and the cash dividend payment in whole year shall be equivalent to the rate of THB 0.51112 per share which can be calculated as in the total amount of no more than THB 182.12 million. All dividends shall be deducted for the withholding tax at the rate stipulated by law.

The names of shareholders listed for the right to receive the dividend are to be announced on May 7, 2013 and, by the section 225 in Securities and Exchange Act, the names of shareholders will be compiled by closing the shareholders register book on May 8, 2013. The payment of dividend will be made on May 22, 2013.

Pleasantly, as the Company has always determined and placed the importance on the development of good corporate governance and running business along with transparency, social benefits and the environmental care, the Company has gained achievements and appraisals. Its achievements in 2012 can be itemized as following:

- Received 'SET Award of Honor' of Corporate Governance Report (Award for Achievement) from the SET Awards 2012 for the second time organized by the Stock Exchange of Thailand and Money & Banking Magazine.
- Received the "excellent" (5 stars) award for Corporate Governance Report of Thai Listed Companies 2012, 2011, 2010, 2009 and 2008, four consecutive years arranged by Thai Institute of Directors.
- Received Investors' Choice Award from Thai Investors Association after receiving, for four consecutive years, the perfect 100% evaluation of the Annual General Shareholders Meetings (AGM) during 2009 – 2012. This is a prestigious award for the listed companies that realize the importance of Annual General Shareholder Meeting, with the awareness of rights and equality of all shareholders. SE-ED is the only company in the publishing industry to receive this award.

Moreover, in the Annual General Meeting (AGM) of the shareholders 2012, the Company was rated as "Excellent" for six consecutive years (2007-2012) and considered to be an example by the Securities and Exchange Commission in cooperates with the Listed Companies Association and the Thai Investors Association. The company was in the group that scored over 100 points and praised as a good example by SEC. The objective of this appraisal was to increase awareness of stockholders' rights and good corporate governance principles.

2. BUSINESS SUMMARY

Bookstore Business

The company has still expanded its bookstore business by continuously opening new SBC branches to provide more convenient access to books for Thai people and to support for the business's growth in the future. As a result, the Company remains the one of the top bookstores with the highest sales revenue in the country. In 2012 the Company opened 47 new branches: Lotus Nong Rue Khon Kaen, Central Plaza Surat Thani, Lotus Khao Panom Krabi, Lotus Sadao Songkhla, Sunee Tower Ubonratchathani 3rd Floor, Lotus Intraburi Singburi, Central Plaza Lampang, Lotus Kumpawapee Udonrthani, Lotus Krungthep Kreeta, Serm Thai Complex Mahasarakam, Big C Nakhonsawan 2, Lotus Nongbualampoo, and Lotus Tatong Pitsanulok. This led to the total of 470 branches, including 438 active branches, 4 franchises and 24 points of sale. Several active branches were also renovated and modernized to boost the sales and profits.

Distribution Business

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

Publishing Business

The Company focuses on publishing books that do not only meet the market demand but have a long shelf life and a sizeable market share without the concern in the number of titles published annually. The Company's publications are mostly reference books and books needed for the development of Thai people and the country. In the end of 2007 the Company started to publish English extensive reading materials that are fun and easy to read and designed to suit readers' different levels of English skills. The objective of this publication is to help English learners improve their English proficiency by reading. The Company has still continued its extensive reading publications. Up until now the Company has published more than 100 titles that offer varieties to readers from primary to university level to improve all listening, speaking, reading and writing skills.

Moreover, the Company sees the importance of developing and installing various types of communication tools to add more PR channels and distribute products to target groups more suitably, giving the Company more chances to be successful.

3. OPERATING RESULTS

3.1 Operating performance for year 2012 over the same period last year.

Table 1 : Operating performance for year 2012 over the same period last year.

	(Unit : Million Baht)			
	Year 2012			
	Consolidated financial statements			
Revenues	2012	2011	Change	(%)
Revenues from sales	5,522.18	5,370.06	152.12	2.83
Income from tuition fees	119.71	111.34	8.37	7.52
Interest and dividend income	22.06	23.95	(1.89)	(7.89)
Other income	62.26	54.41	7.85	14.43
Total revenues	5,726.21	5,559.76	166.45	2.99
Expenses				
Cost of sales	3,750.89	3,676.14	74.75	2.03
Cost of services	94.52	82.00	12.52	15.27
Selling expenses	1,042.07	924.72	117.35	12.69
Administrative expenses	579.66	558.89	20.77	3.72
Total expenses	5,467.14	5,241.75	225.39	4.30
Gross profit	1,796.48	1,723.26	73.22	4.25
Gross Margin (%)	31.84	31.44		0.40
EBITDA	389.30	443.61	(54.31)	(12.24)
Profit from operation accordance with				
Cash Flow Statement	389.33	484.53	(95.20)	(19.65)
Net profit of shareholders' equity of				
parent company	203.45	225.22	(21.77)	(9.67)
EPS (Baht)	0.57	0.63	(0.06)	(9.52)

The Company and its subsidiaries' total revenue according to the consolidated financial statement for the year ended December 31, 2012 amounts to THB 5,726.21 million, or an increase of 2.99% from the previous year. The total revenue according to the separate financial statements amounts to THB 5,600.61 million or an increase of 2.93% from the previous year. Within this amount THB 5,518.65 million, which in an increase of 2.89%, is the sales revenue.

The increase mainly comes from the sales performance of the 50 new SBC branches opened in 2011 and 47 new branches opened in 2012. As a result, the revenue of SBC and its network stores continues to grow by 2.75% approximately.

The cost of sales and service according to the consolidated financial statements of the year 2012 amounts to THB 3,845.41 million, or an increase of 2.32%. The cost of sales, according to the separate financial statements amounts THB 3,749.49 million or an increase of 2.04%. The gross profit margin of the year 2012 accounts for 32.06% or an increase of 0.57% as a result of the increasing sales rebate from suppliers because of the large purchases. In addition, the sales ratio of high-profit products, such as books published and distributed by SE-ED, increased from the previous year.

The selling and administrative expense of the year 2012 according to the consolidated financial statement amounts to THB 1,621.73 million, or an increase of 9.31%. The selling and administrative expense according to the separate financial statement amounts to THB 1,593.36 million, or an increase of 9.45%. Causes of the increase are as follows:

- The operation cost, including the rental and the service fee, increases in line with the opening of new branches. The increase is also due to the rising transportation fee because the 2011 flood prevented the branches from returning products to the warehouse.
- The level of salary increase in 2012 is the highest in history as a result of the government's policy to adjust the minimal wage to THB 300 per day in 7 pilot provinces and by 39.5% in other provinces since April 2012. The minimum salary of a bachelor degree holder is also adjusted to THB 15,000 per month in order to be in consistent with the government's salary adjustment for civil servants with a bachelor degree.

The Company net profit belonging to shareholders' equity of the parent company of the year 2012 according to the consolidated financial statements amounts to THB 203.45 million, or a decrease of 9.66% from the previous year. The decrease is due to the rise in the selling and administrative expenses, the salary adjustment according to the government's announcement, and the competition in department stores. As a result, the same-store sales this year had dropped in spite of additional other incomes from insurance claims for goods and equipment daaged by flood incident in 2011 and from the gains from reversal of impairment from unused properties.

The net profit according to the separate financial statement amounts to THB 205.15 million or a decrease of 7.94% from the previous year.

3.2 Operating performance for Q4 (3 months) of 2012 over the same period last year.

Table 2 : Operating performance for Q4 (3 months) of 2012 over the same period last year.

(Unit : Million Baht)

Q4 (3M)				
Consolidated financial statements				
Revenues	2012	2011	Change	(%)
Revenues from sales	1,317.38	1,295.04	22.34	1.73
Income from tuition fees	27.91	26.21	1.70	6.49
Interest and dividend income	6.10	6.58	(0.48)	(7.29)
Other income	32.71	27.50	5.21	18.95
Total revenues	1,384.10	1,355.33	28.77	2.12
Expenses				
Cost of sales	883.73	889.85	(6.12)	(0.69)
Cost of services	24.27	18.46	5.81	31.47
Selling expenses	264.28	229.58	34.70	15.11
Administrative expenses	161.55	156.18	5.37	3.44
Total expenses	1,333.83	1,294.07	39.76	3.07
Gross profit	437.29	412.94	24.35	5.90
Gross Margin (%)	32.51	31.25		1.26
EBITDA	84.21	93.12	(8.91)	(9.57)
Profit from operation accordance with Cash Flow Statement	88.47	125.09	(36.62)	(29.27)
Net profit of shareholders' equity of parent company	37.18	42.03	(4.85)	(11.54)
EPS (Baht)	0.10	0.12	(0.02)	(16.67)

The Company and its subsidiaries' total revenues for the fourth quarter of 2012 according to the consolidated financial statement amounts to THB 1,384.10 million or an increase of 2.12% from the previous year. The total revenue according to the separate financial statement amounts to THB 1,353.40 million or an increase of 1.87% from the previous year. Within this amount THB 1,317.09 million, which is an increase of 1.75%, is the sales revenue.

The increase mainly comes from the sales performance of the original branches and the new branches opened during January – December 2011 and 13 new branches opened in the fourth quarter of 2012.

Cost of sales and service according to the consolidated financial statement of the fourth quarter of 2012 amounts to THB 908.01 million, or an increase of 0.03%. The cost of sales according to the separate financial statement amounts to THB 883.60 million, or a decrease of 0.69%. The gross profit margin of the fourth quarter of 2012 accounts for 32.91%, or an increase of 1.65%. This is a result of the increasing sales rebate from suppliers because of the large purchases. In addition, the sales ratio of high-profit products, such as books published and foreign books imported by SE-ED, increased from the previous year.

The Selling and Administrative expense for the fourth quarter of 2012, according to the consolidated financial statements worth THB 425.83 million, or up 10.39%. While the Selling and Administrative expenses, according to the separate financial statements worth THB 418.36 million, or up 10.47% as stated in the report of operating performance for the year of 2012.

The net profit belonging to shareholders' equity of the parent company for the fourth quarter of 2012 according to the consolidated financial statements amounts to THB 37.18 million, or a decrease of 11.53% from the previous year. This is because the selling and administrative cost, especially the cost of employees in the retail business and distribution center, exceeds the revenue growth. This is the impact from the government's new minimum wage policy since April 2012, which led the Company to revise and adjust wages and salaries for employees in each department so that the payment structure remains competitive in the labor market. In addition, the increasing competition in department stores caused the drop of sales performance from the original branches this year in spite of the additional income from the gains from reversal of impairment from unused properties.

The net profit according to the separate financial statement amounts to THB 38.45 million or a decrease of 8.80% from the previous year.

4. DIVIDEND PAYMENT POLICY

The company declared a policy to pay dividend no less than 50% of the net profit after the deduction of corporate income tax from the separate financial statements. The payment will be made in the annual general meeting of the year immediately following the operating year.

Table 3 : The dividend payment of 2012, 2011 and 2010 as follow:

Year 2012 operating result (Paid dividend by cash)

	Resolutions of the Company's Board meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)
Quarter 1	3/2012	10/05/2012	08/06/2012	0.10	35.63
Quarter 2	4/2012	07/08/2012	06/09/2012	0.10	35.63
Quarter 3	5/2012	07/11/2012	06/12/2012	0.10	35.63
Quarter 4	1/2013	20/02/2013	22/05/2013	0.11112	39.59
Total				0.41112	146.48

Year 2011 operating result

1. Paid dividend by cash

	Resolutions of the Company's Board/ Shareholder meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)
Quarter 1	2/2011	13/05/2011	10/06/2011	0.10	32.39
Quarter 2	3/2011	09/08/2011	08/09/2011	0.10	32.39
Quarter 3	4/2011	09/11/2011	08/12/2011	0.10	32.39
Quarter 4	1/2012	23/02/2012	24/05/2012	0.11112	35.99
Total				0.41112	133.16

2. Paid dividend by ordinary shares

The Company's Board meeting 1/2012 approved and agreed to propose dividend payments in the forthcoming Annual General Meeting in order to approve paying dividend payments of 2011 **in ordinary shares**, not exceeding 35,631,320 shares in total or THB one (1) per share, and **at ratio of ten (10) current shares per one (1) dividend share** in total of THB 35,631,320 or can be calculated into THB 0.10 per share, to shareholders.

Year 2010 operating result (Paid dividend by cash)

	Resolutions of the Company's Board/ Shareholder meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)
Quarter 1	2/2010	12/05/2010	11/06/2010	0.10	32.39
Quarter 2	3/2010	09/08/2010	08/09/2010	0.10	32.39
Quarter 3	4/2010	10/11/2010	09/12/2010	0.10	32.39
Quarter 4	1/2011	28/04/2011	27/05/2011	0.43	139.29
Total				0.73	236.46

5. FINANCIAL POSITION

5.1 Asset Component

Table 4 : Asset Component

(Unit : Million Baht)

Description	Consolidated financial statements					
	Year 2012		Year 2011		Change	
		% to		% to		
	Amount	Total	Amount	Total	Amount	(%)
Assets	Assets		Assets			
Current assets						
Cash and cash equivalents	346.95	13.21	570.31	23.19	(223.36)	(39.16)
Current investments	168.39	6.41	178.86	7.27	(10.47)	(5.85)
Trade and other receivables	104.22	3.97	132.41	5.38	(28.19)	(21.29)
Inventories	401.34	15.28	396.08	16.11	5.26	1.33
Other current assets	66.72	2.54	39.93	1.62	26.79	67.09
Total current assets	1,087.62	41.42	1,317.59	53.58	(229.97)	(17.45)
Non-current assets						
Restricted bank deposits and other						
Investments	12.58	0.48	12.39	0.50	0.19	1.53
Investments in associate - net	26.79	1.02	27.05	1.10	(0.26)	(0.96)
Property, plant and equipment - net	1,251.68	47.67	844.50	34.34	407.18	48.22
Leasehold right on land - net	7.04	0.27	7.37	0.30	(0.33)	(4.48)
Leasehold right on buildings - net	98.84	3.76	110.30	4.49	(11.46)	(10.39)
Intangible assets	7.89	0.30	5.34	0.22	2.55	47.75
Prepaid book copyright and translation fee	22.51	0.86	27.18	1.11	(4.67)	(17.18)
Rental guarantee and deposit	104.76	3.99	92.24	3.75	12.52	13.57
Other non-current assets	6.26	0.24	15.03	0.61	(8.77)	(58.35)
Total non-current assets	1,538.35	58.58	1,141.40	46.42	396.95	34.78
Total assets	2,625.97	100.00	2,458.99	100.00	166.98	6.79

5.2 Liabilities and shareholders' equity Component.

Table 5 : Liabilities and shareholders' equity Component.

Description	Consolidated financial statements				(Unit : Million Baht)	
	Year 2012		Year 2011		Change	
	Amount	% to Total Assets	Amount	% to Total Assets	Amount	(%)
Liabilities and shareholders' equity						
Current liabilities						
Trade and other payables	1,459.10	86.27	1,500.21	86.78	(41.11)	(2.74)
Short-term loans from other person	-	-	3.40	0.20	(3.40)	(100.00)
Income received in advance recognizable within one year	33.80	2.00	28.95	1.67	4.85	16.75
Income tax payable	16.61	0.98	34.18	1.98	(17.57)	(51.40)
Current portion of provision for long-term employee benefits	8.77	0.33	6.12	0.25	2.65	43.30
Other current liabilities	46.91	1.79	37.95	1.54	8.96	23.61
Total current liabilities	1,565.19	59.60	1,610.81	65.51	(45.62)	(2.83)
Non-current liabilities						
Income received in advance	2.70	0.10	5.31	0.22	(2.61)	(49.15)
Long-term loans	74.71	2.85	64.60	2.63	10.11	15.65
Provision for long-term employee benefits,	39.70	1.51	39.62	1.61	0.08	0.20
Other non-current liabilities	9.06	0.35	8.51	0.35	0.55	6.46
Total non-current liabilities	126.17	4.80	118.04	4.80	8.13	6.89
Total liabilities	1,691.36	64.41	1,728.85	70.31	(37.49)	(2.17)
Shareholders' equity						
Share capital						
Registered						
356,313,243 ordinary shares of Baht 1 each (2011:323,921,130 ordinary shares of Baht 1 each)	356.31	13.57	323.92	13.17	32.39	10.00
Issued and paid-up						
356,313,209 ordinary shares of Baht 1 each (2011:323,921,130 ordinary shares of Baht 1 each)	356.31	13.57	323.92	13.17	32.39	10.00
Share premium	149.42	5.69	149.42	6.08	-	-
Retained earnings						
Appropriated-statutory reserve	35.63	1.36	35.63	1.45	-	-
Unappropriated	171.97	6.55	143.79	5.85	28.18	19.60
Other components of shareholders' equity	159.97	6.09	15.47	0.63	144.50	934.07
Equity attributable to owners of the Company	873.30	33.26	668.23	27.17	205.07	30.69
Non-controlling interests of the subsidiaries	61.31	2.33	61.91	2.52	(0.60)	(0.97)
Total shareholders' equity	934.60	35.59	730.14	29.69	204.47	28.00
Total liabilities and shareholders' equity	2,625.97	100.00	2,458.99	100.00	166.98	6.79

Financial analyses

Total Asset As of December 31, 2012 the company and its subsidiaries had a total asset of THB 2,625.97 million increase of THB 166.98 million or 6.79% from the end of last year. Causes of changing of total assets:

- Property, plant and equipment as of December 31, 2012 totals THB 1,251.68 million, an increase of THB 407.18 million or 48.22% because of the construction of the new warehouse on Bang Na-Trad Road (k.m.21) and the purchases of book shelves, decorations, and computers for the new branches.
- Other current assets total THB 66.72 million, an increase by THB 26.79 million or 67.09%. It is mostly due to the advance fee for the warehouse rental in 2013 and the advance payment for the construction of the new warehouse on k.m.21.
- Rental guarantee and deposit for THB 104.76 million increased THB 12.52 million from the opening of 47 new branches.
- Inventories-net totals THB 401.34 million and increase from last year by THB 5.26 million or 1.33%. It is mostly because there were more orders of textbooks, stationery, and traveling bags.
- Cash and cash equivalents totals THB 346.95 million, a decrease of THB 223.37 million or -39.16% because of the construction cost of the distribution center (new warehouse on k.m.21)
- Trade and other receivables total THB 104.22 million, a decrease of THB 28.19 million or -21.29% because the Company received insurance claims from the flood incident in 2011 and payments from account receivables.
- Leasehold right on buildings for THB 98.84 million had decreased by THB 11.46 million or -10.39% from a land leasehold amortization.
- Current investments for THB 168.39 million decreased of THB 10.47 million or -5.85% due to the sale of Bangkok Commercial Property Fund in the whole amount to support the construction of the new warehouse on Bangna-Trad Road (k.m.21).
- Other non-current assets for THB 6.26 million decreasing THB 8.77 million mainly because in 2011 the Company paid for the EA, SA, CAL software system maintenance service in advance as well as the rental fee for stores in Tuk Com group (the section with more than 1 year benefits).The payment will be made in installment according to the term in the rental agreement.

Total liabilities As of December 31, 2012 the Company and its subsidiaries had a total liability of THB 1,691.36 million decreased of THB 37.49 million or -2.17%. Causes of changing of total liabilities:

- Trade and other payables total THB 1,459.10 million, an decrease by THB 41.11 million or -2.74% because of the decrease of key account payables and turnover.
- Income tax payable totals THB 16.61 million, a decrease by THB 17.57 million or -51.40%. This was because the tax rate dropped from 30% to 23% while the income tax of 2011 and the first half of 2012 is paid according to the payment term of the Revenue Department.
- Long-term loans were worth THB 74.71 million, an increase THB 10.11 million, The loan belongs to Plearnpatt Co.,Ltd to spend on the construction of a new school building.
- Income received in advance recognizable within one year totals THB 33.80 million, an increase by THB 4.85 million or up 16.75% due to the receipt of the advance tuition fees according to the school's policy to give a discount to parents who pay the tuition fee in advance.

Shareholders' equity As of December 31, 2012 the Company and its subsidiaries had a total shareholders' equity of THB 934.60 million, which the shareholders' equity of parent company worth THB 873.30 million increased of THB 205.07 million. Causes of changing of Shareholders' equity:

- Net profit of shareholders' equity of parent company from operation result for the year of 2012 amount THB 203.45 million.
- Capital gain from the appraisal increased by THB 136.61 million. The gain from the land appraisal amounts to THB 124.59 million and the gain from the property appraisal amounts to THB 12.02 million.
- Unrealized loss-securities available for the allowance of revaluation of securities decreased, causing the shareholders' equity to increase by THB 8.63 million. This is because of the sale of Bangkok Commercial Property Fund, which totals THB 1.34 million, the rise of ONE-FAS by THB 5.56 million and the adjustment of the market price of Vayupak Fund 1 by THB 1.08 million from late last year.
- Retained earnings decreased due to the dividend payment as THB 175.28 million.
 - Operation result of Q4/2011 THB 0.11112 per share as THB 35.99 million.
 - Operation result of Q1/2012 THB 0.10 per share as THB 35.63 million.
 - Increasing capital from paying dividend for 4/2011 quarter in the rate of 10 original shares: 1 new share, totaling THB 32.39 million.
 - Operation result of Q2/2012 THB 0.10 per share as THB 35.63 million.
 - Operation result of Q3/2012 THB 0.10 per share as THB 35.63 million.
- Retained earnings decreased THB 36.79 million from recognizing expense for employees benefit in long term future according with new Thai Accounting Standard.

5.3 Cash flow

Table 6 : Cash flow for year 2012 over the same period last year.

	(Unit : Million Baht)			
	Consolidated financial statements			
	2012	2011	Change	(%)
Cash flow received (used) from operation activities	242.94	480.26	(237.32)	(49.41)
Cash flow received (used) from investing activities	(329.94)	(401.06)	71.12	(17.73)
Cash flow received (used) from financing activities	(136.37)	(228.93)	92.56	(40.43)
Cash flow increase (decrease)	(223.37)	(149.73)	(73.64)	49.18

Cash Flow Received from Operation Activities for year 2012 was THB 242.94 million as listed below:

- Income from operation increased in the amount of THB 389.33 million:
 - The Net profit before corporate income tax for year 2012 in the amount of THB 256.10 million.
 - Adjustments to reconcile profit before tax in the amount of THB 133.23 million (Depreciation and amortization as THB 116.69 million, Expense from donation of goods as THB 17.15 million, Expense from lost of inventories as THB 15.78 million, Allowance for dilapidated slow moving and lost of inventories as THB 14.95 million, Amortization of leasehold right on land and buildings as THB 11.79 million, Expense from stock destruction as THB 11.50 million, Allowance for doubtful accounts and estimated goods return (reversal) as THB (18.80), Reversal allowance for impairment loss as THB (17.72), Interest income as THB (13.39) million and Dividend income as THB (8.67) million).
- Cash flow increased from trade and other receivables decreased amount THB 27.59 million. Because the Company receives insurance claims from the flood incident in 2011 and payments from account receivables.
- Cash flow decreased from inventories increased amount THB 64.64 million, because SBC increased its orders of textbooks from PS Publishing Co.,Ltd., stationeries from Berli Jucker Public Co.,Ltd., SE-ED bags from Akkhararat Ltd.,Part and travelling bags from Huskies International Corporation Co.,Ltd.

- Cash flow decreased from prepaid expenses increased amount THB 21.77 million. Most of the expenses come from the advance payment of office rental fee and insurance premium from extending insurances for branches, head office and warehouse as well as the advance payment for the construction of the new warehouse on k.m.21.
- Cash flow increased from compensation receivable from the insurance claim decreased amount THB 19.82 million, due to receiving the compensation in March, 2012 from flood, occurred in the end of 2011.
- Cash flow decreased from rental guarantee and deposit increased by THB 12.52 million from the opening of new 47 stores.
- Cash flow increased from other non-current assets decreased by THB 8.77 million, mainly because in 2011 the Company paid for the EA, SA, CAL software system maintenance service in advance as well as the rental fee for stores in Tuk Com group (the section with more than 1 year benefits).The payment will be made in installment according to the term in the rental agreement.
- Cash flow decreased from trade accounts payable decreased amount THB 39.06 million, because of the decrease of SBC's turnover and key accounts payable such as Dplus Intertrade Co.,Ltd., Amarin Book Center Co.,Ltd., Cyberdict Technology Co.,Ltd., Stock Tomorrow Co., Ltd. and Kled Thai Co.,Ltd.
- Cash flow decreased from accrued expenses decreased amount THB 23.76 million because of the change of property tax regulation for all branches in Tesco Lotus, from annual to monthly payment and the decreased accrued royalties of donated and destroyed books.
- Cash flow increased from notes payables increased amount THB 21.44 million, because of the one-year advance rental fee of the warehouse.
- Cash flow increased from other current liabilities increased amount THB 12.13 million, because there are new accounts payable from the construction of the new warehouse on k.m.21 and from the increasing sales of the coupons.

Cash Flow Used from Investment Activities for year 2012 was THB (329.94) million as listed below:

- Cash flow decreased from asset purchases amounts to THB 368.87 million. Because of the construction of the new warehouse on k.m.21, there are expenses from the deep foundation installation, land fill, the advance rack fee, removing fee, and moving fee, which in total amounts to THB 63.18 million. There are also purchases of book shelves, store decorations, and computers for new branches.
- Cash flow increased from current investments decreased amount THB 19.09 million, due to the sale of Bangkok Commercial Property Fund to spend on the warehouse construction.
- Cash flow increased from interest income amount THB 13.67 million.
- Cash flow increased from dividends income amount THB 10.67 million.

Cash Flow Used from Financial Activities for year 2012 was THB (136.37) million due to dividend payment for Q4 of 2011 which would be paid in May, 2012 and interim dividend payment for operation result of Q1, Q2 and Q3 of 2012.

5.4 Financial Ratios

Table 7 : Financial ratios calculated according to the Office of the Securities and Exchange Commission's formulae. (From the consolidated financial statements)

		2011	2010
LIQUIDITY RATIOS			
Current Ratio	Time	0.69	0.82
Quick Ratio	Time	0.40	0.55
Cash Flow Ratio	Time	0.15	0.32
Accounts Receivable Turnover	Time	8.96	8.02
Average Debt Collection Period	Day	40	45
Inventory Turnover	Time	10.20	10.32
Average Selling Period	Day	35	35
Debtor Turnover	Time	2.98	3.10
Debt Payment Period	Day	121	116
Cash Cycle	Day	(46)	(36)
PROFITABILITY RATIOS			
Gross Profit Margin	%	31.84	31.44
Operating Profit	%	4.62	5.84
Other Profit	%	1.47	1.41
Cash to Earnings Ratio	%	93.14	150.07
Net Profit Margin	%	3.55	4.05
Rate of Return to Equity	%	26.40	32.32
EFFICIENCY RATIOS			
Return on Asset	%	10.26	13.61
Return on Fixed Assets	%	28.62	42.96
Asset Turnover	Time	2.25	2.36
FINANCIAL POLICY RATIO			
Debt to Equity Ratio	Time	1.81	2.37
Interest Capability Ratio	Time	63.63	127.49
Debt Service Coverage Ratio	Time	0.42	0.72
Dividend Payout Ratio**	%	72.00	59.13
** Dividend payment rate for 2012 has been approved from the board of Directors and waiting for approval from shareholders in the annual general meeting on April 25, 2013.			

Signature.....

(Mr. Viboolsak Udomvanich)

Deputy Managing Director and Company Secretary

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