

## **PART 3**

### **FINANCIAL STATUS AND OPERATING RESULT**

#### **13. Key Financial Information**

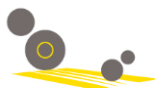
##### ***13.1 Financial Statements***

###### **13.1.1 Summary of audit report**

The auditor of the Financial Statements for the year ended 31 December 2012 to 2014 is Mr. Choopong Surachutikarn Registration No. 4325 from Deloitte Touche Tomatsu Jaiyos Audit Co., Ltd.

The summaries of the audits opinions are as follows:

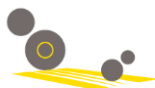
The consolidated and separate financial statements present fairly, in all material respects, the financial positions of DSG International (Thailand) Public Company Limited and its subsidiaries and of DSG International (Thailand) Public Company Limited as at December 2012, 2013 and 2014 and financial performance and cash flows for the each year then ended in accordance with Thai Financial Reporting Standards.



### 13.1.2 Table showing the summary of financial statements

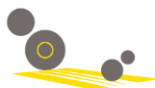
#### DSG International (Thailand) Public Company Limited Consolidated Statements of Financial Position

	2012 Audited “Restated”		2013 Audited		2014 Audited	
	Million (Baht)	%	Million (Baht)	%	Million (Baht)	%
<b>Asset</b>						
<b>Current Asset</b>						
Cash and cash equivalents	83.63	1.49	317.19	4.80	193.66	2.63
Trade and Other receivables						
Trade receivables	1,864.46	33.16	1,656.02	25.07	1,714.12	23.30
Other receivables	33.22	0.59	75.30	1.14	47.40	0.64
Inventories	788.78	14.03	1,013.76	15.35	1,185.83	16.12
Tax refundable	32.28	0.57	30.84	0.47	23.16	0.31
Other current assets	54.64	0.97	69.74	1.06	61.13	0.83
<b>Total Current Assets</b>	<b>2,857.01</b>	<b>50.81</b>	<b>3,162.85</b>	<b>47.89</b>	<b>3,225.30</b>	<b>43.85</b>
<b>Non-Current Assets</b>						
Leasehold Right – net	216.71	3.85	217.61	3.29	203.22	2.76
Advance Payments for purchases of fixed assets	68.12	1.21	6.11	0.09	13.42	0.18
Property, plant and equipment	2,391.62	42.54	3,064.57	46.40	3,711.91	50.46
Intangible assets	22.61	0.40	30.81	0.47	30.82	0.42
Deferred tax assets	8.20	0.15	29.59	0.45	79.95	1.09
Other non-current assets	58.45	1.04	93.28	1.41	90.86	1.24
<b>Total Non-current Assets</b>	<b>2,765.71</b>	<b>49.19</b>	<b>3,441.97</b>	<b>52.11</b>	<b>4,130.18</b>	<b>56.15</b>
<b>Total Assets</b>	<b>5,622.71</b>	<b>100.00</b>	<b>6,604.82</b>	<b>100.00</b>	<b>7,355.48</b>	<b>100.00</b>



**DSG International (Thailand) Public Company Limited**  
**Consolidated Statements of Financial Position (continued)**

	2012 Audited “Restated”		2013 Audited		2014 Audited	
	Million (Baht)	%	Million (Baht)	%	Million (Baht)	%
<b><u>Liabilities and Shareholders’ Equity</u></b>						
<b>Current Liabilities</b>						
Bank overdraft and short-term loans from financial institutions	1,076.59	19.15	1,480.09	22.14	1,287.43	17.50
Trade and other payables	1,378.01	24.51	1,464.14	22.17	1,620.59	22.03
Current portion of obligation under finance lease agreements	0.20	-	-	-	-	-
Current portion of long-term loan	150.62	2.68	251.25	3.80	370.50	5.04
Current portion of other long-term liabilities	-	-	-	-	-	-
Income tax payable	66.58	1.18	4.84	0.07	5.54	0.08
Other current liabilities	19.09	0.34	21.23	0.32	21.23	0.29
<b>Total Current Liabilities</b>	<b>2,691.09</b>	<b>47.86</b>	<b>3,221.55</b>	<b>48.77</b>	<b>3,305.29</b>	<b>44.94</b>
<b>Non-Current Liabilities</b>						
Obligation under finance lease agreements	-	-	-	-	-	-
Long-term loans	812.85	14.46	995.28	15.07	1,388.80	18.88
Employee Benefit Obligations	19.09	0.34	26.54	0.40	30.49	0.41
Deferred tax liabilities	17.01	0.30	-	-	-	-
Other long-term liabilities	20.26	0.36	43.42	0.66	120.12	1.63
<b>Total Non-current Liabilities</b>	<b>869.21</b>	<b>15.46</b>	<b>1,065.24</b>	<b>16.13</b>	<b>1,539.41</b>	<b>20.92</b>
<b>Total Liabilities</b>	<b>3,560.30</b>	<b>63.32</b>	<b>4,286.79</b>	<b>64.90</b>	<b>4,844.70</b>	<b>65.87</b>



**DSG International (Thailand) Public Company Limited**  
**Consolidated Statements of Financial Position (continued)**

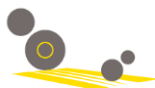
	<b>2012</b>		<b>2013</b>		<b>2014</b>	
	<b>Audited</b>		<b>Audited</b>		<b>Audited</b>	
	<b>“Restated”</b>					
	<b>Million</b>	<b>%</b>	<b>Million</b>	<b>%</b>	<b>Million</b>	<b>%</b>
	<b>(Baht)</b>		<b>(Baht)</b>		<b>(Baht)</b>	
<b>Shareholders’ Equity</b>						
Share Capital						
Authorized share capital						
1,259,999,988 ordinary shares of Baht 1 each					1,259.99	
900,000,000 ordinary shares of Baht 1 each	900.00		900.00			
Issued and paid-up share capital						
1,259,999,795 ordinary shares of Baht 1 each					1,259.99	17.13
899,999,991 ordinary shares of Baht 1 each	899.99	16.01	899.99	13.63		
Premium on Ordinary Shares	173.97	3.09	173.97	2.63	173.97	2.37
Premium on Treasury Shares	71.59	1.27	71.59	1.08	71.59	0.97
Retained Earnings						
Appropriated						
Statutory reserve	90.00	1.60	90.00	1.36	126.00	1.71
Unappropriated	894.89	15.92	1,139.06	17.25	960.20	13.05
Other Component of Shareholders’ Equity						
Exchange differences on translation of the financial statements of foreign subsidiaries	(11.05)	(0.20)	0.39	0.01	(24.00)	(0.33)
Difference Between carrying amounts of investments and costs of acquisition	(56.97)	(1.01)	(56.97)	(0.86)	(56.97)	(0.77)
<b>Equity attributable to shareholders of Parent</b>	<b>2,062.42</b>	<b>36.68</b>	<b>2,318.03</b>	<b>35.10</b>	<b>2,510.78</b>	<b>34.13</b>
Non-controlling Interests	-	-	-	-	-	-
<b>Total Shareholders’ Equity of the Company</b>	<b>2,062.42</b>	<b>36.68</b>	<b>2,318.03</b>	<b>35.10</b>	<b>2,510.78</b>	<b>34.13</b>
<b>Total Liabilities and Shareholders’ Equity</b>	<b>5,622.72</b>	<b>100.00</b>	<b>6,604.82</b>	<b>100.00</b>	<b>7,355.48</b>	<b>100.00</b>



## DSG International (Thailand) Public Company Limited

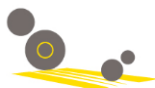
### Consolidated Statement of Comprehensive Income

	2012 Audited “Restated”		2013 Audited		2014 Audited	
	Million (Baht)	%	Million (Baht)	%	Million (Baht)	%
<b>Revenues</b>						
Revenue from sales	6,708.73	100.00	7,540.65	100.00	8,265.34	100.00
Gain on exchange rate	21.70	0.32	-	-	-	-
Insurance claims	182.18	2.72	-	-	-	-
Other income	37.68	0.56	34.22	0.45	38.45	0.47
<b>Total Revenue</b>	<b>6,950.29</b>	<b>103.60</b>	<b>7,574.87</b>	<b>100.45</b>	<b>8,303.79</b>	<b>100.47</b>
<b>Expenses</b>						
Cost of sales	4,427.80	66.00	4,853.07	64.36	5,381.48	65.11
Selling and administrative expenses	1,746.95	26.04	2,154.51	28.57	2,383.21	28.83
Loss on flood	-	-	-	-	-	-
Loss on exchange rate	-	-	25.25	0.33	23.63	0.29
<b>Total Expenses</b>	<b>6,174.75</b>	<b>92.04</b>	<b>7,032.83</b>	<b>93.26</b>	<b>7,788.32</b>	<b>94.23</b>
<b>Profit Before Interest Expense and Income Tax</b>	<b>775.54</b>	<b>11.56</b>	<b>542.04</b>	<b>7.19</b>	<b>515.47</b>	<b>6.24</b>
Interest Expense	(54.55)	(0.81)	(87.10)	(1.16)	(110.41)	(1.34)
Income Tax	(180.42)	(1.62)	31.84	0.42	32.04	0.39
<b>Net Profit for the year</b>	<b>612.58</b>	<b>9.13</b>	<b>486.78</b>	<b>6.45</b>	<b>437.10</b>	<b>5.29</b>
<b>Other Comprehensive Income</b>						
Actuarial loss for employee benefit obligation – net of tax	-	-	(4.11)	(0.05)	3.26	0.04
Exchange differences on translation of financial statements of foreign subsidiaries	(1.68)	(0.03)	11.44	0.15	(24.39)	(0.30)
<b>Total Comprehensive Income for the year</b>	<b>610.90</b>	<b>9.10</b>	<b>494.11</b>	<b>6.55</b>	<b>415.97</b>	<b>5.03</b>
<b>Profit attributable to:</b>						
Owners of the parent	612.58	9.13	486.78	6.45	437.10	5.29
Non-controlling interests	-	-	-	-	-	-
	<b>612.58</b>	<b>9.13</b>	<b>486.78</b>	<b>6.45</b>	<b>437.10</b>	<b>5.89</b>
<b>Total Comprehensive Income attributable to:</b>						
Owners of the parent	610.90	9.10	494.11	6.55	415.97	5.03
Non-controlling interests	-	-	-	-	-	-
	<b>610.90</b>	<b>9.10</b>	<b>494.11</b>	<b>6.55</b>	<b>415.97</b>	<b>5.03</b>



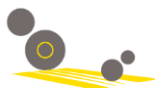
## DSG International (Thailand) Public Company Limited Consolidated Statement of Changes in Shareholders' Equity

	2012 Audited "Restated"		2013 Audited		2014 Audited	
	Million (Baht)	%	Million (Baht)	%	Million (Baht)	%
<b>Beginning balance</b>	<b>1,604.52</b>	<b>28.54</b>	<b>2,062.42</b>	<b>31.23</b>	<b>2,318.03</b>	<b>31.51</b>
Effect of change in accounting policy						
Employee Benefits	-	-	-	-	-	-
Income Taxes	-	-	-	-	-	-
Increase share capital during the period	299.99	5.33	-	-	360.00	4.89
Sales of Treasury shares	-	-	-	-	-	-
Dividend paid	(153.00)	(2.72)	(238.50)	(3.61)	(223.20)	(3.03)
Ordinary share dividend	(299.99)	(5.33)	-	-	(360.00)	(4.89)
Net profit	612.58	10.89	482.67	7.31	440.36	5.99
Exchange differences on translation of the financial statements of foreign subsidiaries	(1.68)	(0.03)	11.44	0.17	(24.39)	(0.33)
Non-controlling Interests	-	-	-	-	-	-
<b>Ending balance</b>	<b>2,062.42</b>	<b>36.68</b>	<b>2,318.03</b>	<b>35.10</b>	<b>2,510.80</b>	<b>34.14</b>



### DSG International (Thailand) Public Co., Ltd. Consolidated Statement of Cash Flows

	2012	2013	2014
	Audited	Audited	Audited
	Million (Baht)	Million (Baht)	Million (Baht)
<b>Cash flows from operating activities</b>			
Profit before tax	721.00	454.94	405.06
Items to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	134.75	179.54	234.03
(Gain) loss on sales of fixed assets	0.29	2.67	(1.13)
Allowance for doubtful debts (reversal)	(5.90)	(1.95)	(0.11)
Employment benefits obligation expense	5.08	7.09	10.82
Loss on decline in value of inventories (reversal)	3.65	9.80	(8.14)
Loss on flood	-	-	-
Unrealized (gain) loss on exchange rate	(3.54)	0.60	19.46
Interest expenses	54.54	87.10	110.41
	<b>909.87</b>	<b>739.79</b>	<b>770.40</b>
(Increase) decrease in trade accounts receivables	(531.50)	218.72	(64.74)
(Increase) decrease in other receivables	(17.28)	(42.07)	27.88
(Increase) decrease in inventories	379.76	(234.78)	(163.93)
(Increase) decrease in tax refundable	(11.34)	1.45	7.67
(Increase) decrease in other current assets	(25.00)	(15.11)	8.62
(Increase) decrease in deposit for lease of warehouse	-	(43.04)	0.00
(Increase) decrease in other non-current assets	(0.39)	8.20	2.45
Increase (decrease) in trade and other payables	171.23	113.52	16.01
Increase (decrease) in other current liabilities	9.57	2.70	0.12
Cash paid for employee benefits	-	(3.03)	(3.58)
Cash paid for interest	(60.20)	(86.47)	(113.90)
Cash paid for income tax	(17.59)	(68.37)	(19.79)
<b>Net cash provided by (used in) operating activities</b>	<b>807.13</b>	<b>591.51</b>	<b>467.21</b>



### DSG International (Thailand) Public Company Limited Consolidated Statement of Cash Flows (continued)

	2012	2013	2014
	Audited	Audited	Audited
	Million (Baht)	Million (Baht)	Million (Baht)
<b>Cash flows from investing activities</b>			
Cash payments for purchases of fixed assets and intangible assets	(1,253.87)	(818.99)	(745.07)
Proceeds from sales of fixed assets	1.33	0.35	1.43
Cash payment for leasehold right	-	(5.19)	-
Cash payment for purchase of a subsidiary's ordinary share	-	-	-
<b>Net cash used in investing activities</b>	<b>(1,252.54)</b>	<b>(823.83)</b>	<b>(743.64)</b>
<b>Cash flows from financing activities</b>			
Cash received from bank overdraft and short-term loan from financial institutions	(78.24)	394.66	(185.88)
Cash received from long term loan from financial institution	693.18	490.00	796.44
Repayments of finance lease obligation	(1.46)	(0.20)	-
Repayments of other long-term loans	(177.85)	(206.94)	(240.11)
Cash received from sales of treasury shares	-	-	-
Dividend paid	(153.00)	(238.50)	(223.20)
<b>Net cash used in financing activities</b>	<b>282.63</b>	<b>439.02</b>	<b>147.25</b>
Exchange rates difference on translation of cash of foreign subsidiaries	10.95	26.86	5.65
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(151.83)</b>	<b>233.56</b>	<b>(123.53)</b>
<b>Cash and cash equivalents as at January 1,</b>	<b>235.46</b>	<b>83.63</b>	<b>317.19</b>
<b>Cash and cash equivalents as at December 31,</b>	<b>83.63</b>	<b>317.19</b>	<b>193.66</b>

#### 13.2 Auditor's remuneration

The audit fee for the Company was Baht 2.58 million. There was no other non-audit fee paid to Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.

The Company and its subsidiary paid a total audit fee of Baht 4.17 million.





## 14. Management Discussion and Analysis

The Management believes in doing what is right; as pertaining to our financial reporting, this means high-quality financial reporting with accuracy and transparency. The Management is responsible for maintaining an effective system of internal controls and excellent operations. The Board of Directors through its Audit Committee provides oversight and has also engaged Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd., to audit our financial statements, on which they have issued unqualified opinion.

The Management's discussion and analysis was to provide more insight and understanding of the financial results of DSGT Group.

### Overview

2014 was a challenging year for the sustainable growth in our brand value through diversified and geographic portfolio expansion. DSG Group is committed to increasing **Value Creation through Portfolio Expansion** to serve the disposable diaper business potential especially in South East Asia. Remarkably, DSGT received the "Thailand's Top Corporate Brand Rising Star 2014" award, with the highest growth in corporate brand value in the consumer product industry of Thailand's SET Index for 2014 and has continuously achieved the highest growth FMCG Company in Thailand since 2010.

The constant economic slowdown and decline in purchasing power due to various macro-economic policies in South East Asia continued to affect adversely the consumption behavior of all major industries, including the relatively recession proof disposable diaper category in the Region. The Thai economy has been slowly recovering from the recent change of new Government. Malaysian consumer sentiment, besides the reduction of fuel and sugar subsidies, was also subdued by the uncertainty surrounding the GST introduction in Q2 2015. The sharp decline in crude price also aggravated the budget deficits of Malaysia and Indonesia and has also weakened the USD against all major local currencies.

Despite the challenges over the past year, the Group continued to introduce value-added products, in line with the committed long-term strategic objective of the Company. The diversified product portfolio has strengthened our category leadership positions in key growth segments and emerging markets in the ASEAN Economic Community (AEC).

### Key Market Highlights

**DSG Thailand** continued to gain market share in both the baby and adult diaper categories, out-pacing the industry growth rates though competitors responded with heavy price promotions to defend market share. Certainty DayPants was launched in Q2 2014 to complement the daytime usage needs and further consolidated Certainty outright market leadership position.



**Malaysian** consumption sentiment continued to soften, due to cut-back of sugar and fuel price subsidies as well as the planned introduction of GST in the first half of 2015. Disposable diaper market value continued to decline mainly due to aggressive competitive price promotion activities. However, PetPet DayPants was launched in Q2 and Fitti tape was upgraded in Q4 to strengthen DSGM brand franchises.

**Indonesian** economy was partly affected by the political uncertainty of the presidential election. Decrease of fuel price subsidies and labor wage hike pushed up inflation which was also aggravated by the depreciating Rupiah. However, the baby pant category continued to grow strongly due to increasing affordability and availability. Fitti DayPants gained strong sales momentum in the rapidly expanding baby pant segment.

**Export Markets** continued to grow with existing customers and new customers in Central Asia, the Middle East and Africa. Export marketing efforts also stepped up in Indo-China to capitalize on the AEC 2015 initiatives.

### **Financial Performance Highlights**

In spite of the external challenges and competitive circumstances, our business in Thailand, Malaysia and Indonesia continued to outpace the market growth, resulting from our investment in brand building and improvement in operating efficiencies.

Consolidated Sales Revenue of the Group in fiscal year 2014 was Baht 8,265 million, representing an increase of 9.6% compared to 2013. The Group was committed to strengthen the brand shares in key markets against competitive pricing pressures and weak consumer sentiment. Our key brands sustained sales and market share growth due to favorable consumer responses to the new products, namely DayPants under BabyLove, PetPet, and Fitti brands, as well as Certainty DayPants and SuperPants.

The Group's Net Profit for fiscal year 2014 was Baht 437 million, decreased by 10.2% compared to 2013. Excluding foreign currency impact of Baht 24 million, the normalized net profit for 2014 dropped by 8.8% compared to the previous year. The Group took proactive measures to defend against the intense price competition, despite short-term profitability impact, for sake of long term business success. Improved operational efficiency, judicious commercial spending as well as proactive implementation of risk management for foreign exchange exposure and procurement measures had significantly minimized any negative impact on the Group's profitability.

The Company recorded a provision of impairment of investment in PTDSG amounting to Baht 148 million in 2014, mainly due to the cumulative financial results over past few years, in accordance with Thai Financial Reporting Standards (TFRS). However, we are fully committed with the excellent prospect of our business expansion in Indonesia and firmly believe that our strategic investments in PTDSG would enhance the long term shareholder's value.



## **Forward looking**

Discussion of expectations of future performance is based on financial data and our business plan at the time of the statement. Time factor, FX volatility and high level of competitive activities might result in deviations; thus investors must recognize the uncertainty of events that could impact on expectations.

To address these factors we must respond to competitive factors including pricing, promotional activities, trade terms and competitive initiatives. Our costs are subject to fluctuations due to changes in raw material prices and exchange rates, as most of our raw materials are imported. Changes in the economic and political environment do affect consumer confidence. Thus our financial success will depend, in part, on our ability to address global, regional and local political and economic uncertainties. The Group is committed to strive for sustainable growth through continuous investments in brand building initiatives, human resources development and supply chain management.

Looking ahead, given the favorable demographic and socio-economic factors in South East Asia, DSG Group remained cautiously optimistic about the future potential of the disposable diaper business, despite the short-term uncertainties. The Company firmly believed in protecting the brand equity and market position via continuous strategic investment for product innovations and geographical expansion for the long term success of the Group.

## **Financial Condition**

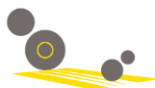
At the end of 2014, DSGT reported Total Consolidated Assets of Baht 7,355 million, an increase of Baht 751 million or 11.4% from Baht 6,605 million at end of 2013.

The Group net decrease in cash and cash equivalents was Baht 124 million mainly resulted from repayment in short-term debt. Net cash used in investing activities was Baht 738 million was mainly used to support business expansion plan in key markets. The capital investments were partly financed by the net cash from operating activities and external borrowings.

The strong financial position of the Group is expected to continue with the sales growth momentum of our key brands, supported by the continuous improvement in the operation efficiency.

## **Income Tax**

DSGT received investment promotion privilege from the Board of Investment by receiving the exemption for corporate income tax on profit derived from the promoted business which is under certain conditions contained in the promotion certificates. During the year 2014, DSGT had the excess profit from the promotion privilege, which was subjected to corporate income tax.



However, at Group level, the financial statement reflected tax payment of its subsidiaries. DSG Malaysia has been granted the tax incentive for its investment in Malaysia under the Reinvestment Allowance tax incentive scheme.

### Other Information

Our financial statement was prepared in accordance with Thai Accounting Standard (TAS), Thai Financial Reporting Standard (TFRS), Thai Accounting Standard Interpretation (TSI) and Thai Financial Reporting Interpretations (TFRI) as the basis of our accounting policies. Our Group has adopted the new and revised Thai Financial Reporting Standards issued by the Federation of Accounting Professions, which are effective for the financial statements for the accounting periods beginning on or after January 1, 2013 onwards, in the preparation and presentation of these financial statements

### Ratio Analysis

Ratio	2012	2013	2014
Current Ratio (time)	1.06	0.98	0.98
Account Receivable Turnover (time)	4.28	4.37	5.06
Average Collection Period (days)	85.29	83.58	72.15
Inventory Turnover (time)	4.52	5.38	4.89
Fixed Asset Turnover (time)	3.91	2.76	2.44
Debt/Asset Ratio (time)*	0.63	0.65	0.66
Return On Equity (%)*	29.70	21.00	17.41
Return On Asset (%)*	10.89	7.37	5.94

#### Remark:

\* These financial ratios for the year 2012 have been restated as the Company and its subsidiaries have adopted Thai Accounting Standard No.12 “Income Taxes” for the first time. Therefore, the corresponding figures have been retrospectively restated to be in accordance with the new accounting policy.