



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 2013 to 2015 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 2013, 2014 and 2015 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

	2013 Audited		2014 Audited		2015 Audited	
	Million (Baht)	%	Million (Baht)	%	Million (Baht)	%
<u>Asset</u>						
Current Asset						
Cash and cash equivalents	317.19	4.80	193.66	2.63	176.85	2.57
Trade and Other receivables						
Trade receivables	1,656.02	25.07	1,714.12	23.30	1,668.64	24.21
Other receivables	75.30	1.14	47.40	0.64	97.82	1.42
Inventories	1,013.76	15.35	1,185.83	16.12	959.81	13.92
Tax refundable	30.84	0.47	23.16	0.31	30.05	0.44
Other current assets	69.74	1.06	61.13	0.83	72.95	1.06
Total Current Assets	3,162.85	47.89	3,225.30	43.85	3,006.12	43.61
Non-Current Assets						
Leasehold Right – net	217.61	3.29	203.22	2.76	184.71	2.68
Advance Payments for purchases of fixed assets	6.11	0.09	13.42	0.18	31.83	0.46
Property, plant and equipment	3,064.57	46.40	3,711.91	50.46	3,493.28	50.68
Intangible assets	30.81	0.47	30.82	0.42	19.69	0.29
Deferred tax assets	29.59	0.45	79.95	1.09	66.44	0.96
Other non-current assets	93.28	1.41	90.86	1.24	90.67	1.32
Total Non-current Assets	3,441.97	52.11	4,130.18	56.15	3,886.62	56.39
Total Assets	6,604.82	100.00	7,355.48	100.00	6,892.74	100.00



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

	2013		2014		2015	
	Audited		Audited		Audited	
	Million	%	Million	%	Million	%
	(Baht)		(Baht)		(Baht)	
<u>Liabilities and Shareholders' Equity</u>						
Current Liabilities						
Bank overdraft and short-term loans from financial institutions	1,480.09	22.14	1,287.43	17.50	974.88	14.14
Trade and other payables	1,464.14	22.17	1,620.59	22.03	1,522.91	22.11
Current portion of obligation under finance lease agreements	-	-	-	-	-	-
Current portion of long-term loan	251.25	3.80	370.50	5.04	465.59	6.75
Current portion of other long-term liabilities	-	-	-	-	-	-
Income tax payable	4.84	0.07	5.54	0.08	14.11	0.20
Other current liabilities	21.23	0.32	21.23	0.29	25.79	0.37
Total Current Liabilities	3,221.55	48.77	3,305.29	44.94	3,003.28	43.57
Non-Current Liabilities						
Obligation under finance lease agreements	-	-	-	-	-	-
Long-term loans	995.28	15.07	1,388.80	18.88	1,506.79	21.86
Employee Benefit Obligations	26.54	0.40	30.49	0.41	34.19	0.50
Deferred tax liabilities	-	-	-	-	-	-
Other long-term liabilities	43.42	0.66	120.12	1.63	6.29	0.09
Total Non-current Liabilities	1,065.24	16.13	1,539.41	20.92	1,547.27	22.45
Total Liabilities	4,286.79	64.90	4,844.70	65.87	4,550.55	66.02

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

	2013 Audited		2014 Audited		2015 Audited	
	Million (Baht)	%	Million (Baht)	%	Million (Baht)	%
Shareholders' Equity						
Share Capital						
Authorized share capital						
1,259,999,988 ordinary shares of Baht 1 each			1,259.99		1,259.99	
900,000,000 ordinary shares of Baht 1 each	900.00					
Issued and paid-up share capital						
1,259,999,795 ordinary shares of Baht 1 each			1,259.99	17.13	1,259.99	18.28
899,999,991 ordinary shares of Baht 1 each	899.99	13.63				
Premium on Ordinary Shares	173.97	2.63	173.97	2.37	173.97	2.52
Premium on Treasury Shares	71.59	1.08	71.59	0.97	71.59	1.04
Retained Earnings						
Appropriated						
Statutory reserve	90.00	1.36	126.00	1.71	126.00	1.83
Unappropriated	1,139.06	17.25	960.20	13.05	850.11	12.33
Other Component of Shareholders' Equity						
Exchange differences on translation of the financial statements of foreign subsidiaries	0.39	0.01	(24.00)	(0.33)	(82.50)	(1.20)
Difference Between carrying amounts of investments and costs of acquisition	(56.97)	(0.86)	(56.97)	(0.77)	(56.97)	(0.83)
Equity attributable to shareholders of Parent	2,318.03	35.10	2,510.78	34.13	2,342.19	33.98
Non-controlling Interests	-	-	-	-	-	-
Total Shareholders' Equity of the Company	2,318.03	35.10	2,510.78	34.13	2,342.19	33.98
Total Liabilities and Shareholders' Equity	6,604.82	100.00	7,355.48	100.00	6,892.74	100.00



DSG International (Thailand) Public Company Limited
Consolidated Statement of Comprehensive Income

	2013 Audited		2014 Audited		2015 Audited	
	Million (Baht)	%	Million (Baht)	%	Million (Baht)	%
Revenues						
Revenue from sales	7,540.65	100.00	8,265.34	100.00	7,514.95	100.00
Gain on exchange rate	-	-	-	-	-	-
Insurance claims	-	-	-	-	-	-
Other income	34.22	0.45	38.45	0.47	41.90	0.56
Total Revenue	7,574.87	100.45	8,303.79	100.47	7,556.85	100.56
Expenses						
Cost of sales	4,853.07	64.36	5,381.48	65.11	4,966.24	66.08
Selling and administrative expenses	2,154.51	28.57	2,383.21	28.83	2,319.03	30.86
Loss on impairment of machines	-	-	-	-	3.50	0.05
Loss on exchange rate	25.25	0.33	23.63	0.29	114.43	1.48
Total Expenses	7,032.83	93.26	7,788.32	94.23	7,400.20	98.47
Profit Before Interest Expense and Income Tax	542.04	7.19	515.47	6.24	156.65	2.08
Interest Expense	(87.10)	(1.16)	(110.41)	(1.34)	(125.61)	(1.67)
Income Tax	31.84	0.42	32.04	0.39	(30.97)	(0.41)
Net Profit for the year	486.78	6.45	437.10	5.29	0.07	0.00
Other Comprehensive Income						
Actuarial loss for employee benefit obligation – net of tax	(4.11)	(0.05)	3.26	0.04	3.24	0.04
Exchange differences on translation of financial statements of foreign subsidiaries	11.44	0.15	(24.39)	(0.30)	(58.53)	(0.78)
Total Comprehensive Income for the year	494.11	6.55	415.97	5.03	(55.22)	(0.74)
Profit attributable to:						
Owners of the parent	486.78	6.45	437.10	5.29	0.07	0.00
Non-controlling interests	-	-	-	-	-	-
	486.78	6.45	437.10	5.89	0.07	0.00
Total Comprehensive Income attributable to:						
Owners of the parent	494.11	6.55	415.97	5.03	(55.22)	(0.74)
Non-controlling interests	-	-	-	-	-	-
	494.11	6.55	415.97	5.03	(55.22)	(0.74)



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

	2013		2014		2015	
	Audited		Audited		Audited	
	Million	%	Million	%	Million	%
	(Baht)		(Baht)		(Baht)	
Beginning balance	2,062.42	31.23	2,318.03	31.51	2,510.80	36.43
Effect of change in accounting policy						
Employee Benefits	-	-	-	-	-	-
Income Taxes	-	-	-	-	-	-
Increase share capital during the period	-	-	360.00	4.89	-	-
Sales of Treasury shares	-	-	-	-	-	-
Dividend paid	(238.50)	(3.61)	(223.20)	(3.03)	(113.40)	(1.65)
Ordinary share dividend	-	-	(360.00)	(4.89)	-	-
Net profit	482.67	7.31	440.36	5.99	3.32	0.05
Exchange differences on translation of the financial statements of foreign subsidiaries	11.44	0.17	(24.39)	(0.33)	(58.53)	(0.85)
Non-controlling Interests	-	-	-	-	-	-
Ending balance	2,318.03	35.10	2,510.80	34.14	2,342.19	33.98



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

	2013	2014	2015
	Audited	Audited	Audited
	Million (Baht)	Million (Baht)	Million (Baht)
Cash flows from operating activities			
Profit before tax	454.94	405.06	31.04
Items to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	179.54	234.03	274.50
(Gain) loss on sales of fixed assets	2.67	(1.13)	(0.35)
Allowance for doubtful debts (reversal)	(1.95)	(0.11)	(4.33)
Employment benefits obligation expense	7.09	10.82	9.04
Loss on decline in value of inventories (reversal)	9.80	(8.14)	5.02
Loss from impairment of machine	-	-	3.50
Unrealized (gain) loss on exchange rate	0.60	19.46	33.01
Interest expenses	87.10	110.41	125.61
	739.79	770.40	477.04
(Increase) decrease in trade accounts receivables	218.72	(64.74)	48.78
(Increase) decrease in other receivables	(42.07)	27.88	(50.42)
(Increase) decrease in inventories	(234.78)	(163.93)	220.99
(Increase) decrease in tax refundable	1.45	7.67	(6.89)
(Increase) decrease in other current assets	(15.11)	8.62	(11.81)
(Increase) decrease in deposit for lease of warehouse	(43.04)	0.00	0.00
(Increase) decrease in other non-current assets	8.20	2.45	0.15
Increase (decrease) in trade and other payables	113.52	16.01	24.25
Increase (decrease) in other current liabilities	2.70	0.12	8.01
Cash paid for employee benefits	(3.03)	(3.58)	(1.93)
Cash paid for interest	(86.47)	(113.90)	(126.02)
Cash paid for income tax	(68.37)	(19.79)	(16.99)
Net cash provided by (used in) operating activities	591.51	467.21	565.16



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

	2013	2014	2015
	Audited	Audited	Audited
	Million (Baht)	Million (Baht)	Million (Baht)
Cash flows from investing activities			
Cash payments for purchases of fixed assets and intangible assets	(818.99)	(745.07)	(439.61)
Proceeds from sales of fixed assets	0.35	1.43	0.52
Cash payment for leasehold right	(5.19)	-	-
Cash payment for purchase of a subsidiary's ordinary share	-	-	-
Net cash used in investing activities	(823.83)	(743.64)	(439.09)
Cash flows from financing activities			
Cash received from bank overdraft and short-term loan from financial institutions	394.66	(185.88)	(312.22)
Cash received from long term loan from financial institution	490.00	796.44	685.54
Repayments of finance lease obligation	(0.20)	-	-
Repayments of other long-term loans	(206.94)	(240.11)	(389.94)
Cash received from sales of treasury shares	-	-	-
Dividend paid	(238.50)	(223.20)	(113.40)
Net cash used in financing activities	439.02	147.25	(130.02)
Exchange rates difference on translation of cash of foreign subsidiaries	26.86	5.65	(12.86)
Net increase (decrease) in cash and cash equivalents	233.56	(123.53)	(16.81)
Cash and cash equivalents as at January 1,	83.63	317.19	193.66
Cash and cash equivalents as at December 31,	317.19	193.66	176.85

13.2 Auditor's remuneration

The audit fee for the Company was Baht 2.94 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 4.60 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 DSG Group.

Overview

2015 was an exceptionally challenging year for most of the key markets in South East Asia. The regional economic slowdown, depressed oil price and strong US Dollar negatively affected growth, consumption and profitability of many industries. The deflated purchasing power, severe price competition and volatility in foreign exchange of local currencies against strong USD were major unfavorable factors against sales revenue and profitability growth.

Throughout 2015, DSGT strived to proactively manage the dynamics of each market. The general reduction in consumer spending power led to consumer preference for "value for money" products. As a result, our DayPants for baby and adult diapers launched in 2014 were well positioned to the changing consumer trend during economic recession. All DayPants products registered positive volume and market share growth in most markets.

Similar to the global trend, the aging population due to higher life expectancy and improved healthcare systems in SEA provided strong growth opportunity for DSGT. Certainty portfolio in most markets registered double digit growth in both the tape and pant segments. DSGT continued to sustain the category leadership position in Thailand.

Key Market Highlights

Thailand: In June, BabyLove PlayPants NanoPower was launched to reinforce the innovative franchise of the brand. BabyLove and Certainty DayPants continued to expand the economy diaper segments. Certainty progressed outstandingly to further strengthen its market leadership position.

Malaysia: Depressed economic situations characterized by massive MYR depreciation, depressed crude oil earnings and GST introduction dampened the consumer purchasing power across all industries, including disposable diaper category. PETPET DayPants and Fitti Tape maintained their market position despite the weak economy.



Encouragingly, Certainty experienced high double digit growth in the growing adult diaper market.

Indonesia: Fitti DayPants gained progressive sales momentum in the rapidly expanding baby pant segment with almost triple growth in past year. The supply chain infrastructure investments over past years started to support the accelerated earnings growth in 2015 and beyond.

Export Markets: The export markets continued to grow. Export marketing efforts also stepped up in Cambodia, Laos and Vietnam to capitalize on the AEC initiatives.

Financial Performance Highlights

Consolidated Sales Revenue of the Group in fiscal year 2015 was Baht 7,515 million, representing a decrease of 9.1% compared to 2014. Despite the diminished purchasing power and negative FX translation effects, the Group recorded growth of baby and adult market share particularly in mid-priced segments.

The Group's Net Profit for Quarter 4, 2015 showed a significant recovery over the previous two Quarters. The Group's Net Profit in Quarter 4 improved to Baht 65.8 million, from net losses of Baht 84.6 million and Baht 94.1 million in Quarter 2 and Quarter 3 respectively. Amid the market volatility, the Group have taken various proactive measures to revive its profitability.

The reported Net Profit for fiscal year 2015 was Baht 0.07 million, decreased by 99.9% compared to 2014. Excluding foreign exchange impact, the Net Profit for 2015 dropped by 39.4% compared to the previous year, mainly attributable to declined sales revenue and competitive discounting activities.

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.

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.

Given the favorable demographic and socio-economic factors in South East Asia, DSG Group is committed to strive for sustainable growth through continuous investments in brand building initiatives, human resources development and supply chain efficiency.



The Company is 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 2015, DSGT reported Total Consolidated Assets of Baht 6,893 million with a decrease of Baht 462 million or 6.3% from Baht 7,355 million at end of 2014.

The Group's net decrease in cash and cash equivalents was Baht 17 million mainly resulted from repayment in short-term debt. Net cash used in investing activities was Baht 441 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 of 2015, 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	2013	2014	2015
Current Ratio (time)	0.98	0.98	1.00
Account Receivable Turnover (time)	4.37	5.06	4.51
Average Collection Period (days)	83.58	72.15	80.86
Inventory Turnover (time)	5.38	4.89	4.63
Fixed Asset Turnover (time)	2.76	2.44	2.09
Debt/Asset Ratio (time)	0.65	0.66	0.66
Return on Equity (%)	21.00	17.41	0.00
Return on Asset (%)	7.37	5.94	0.00