

Overview

The consolidated financial statements as of December 31, 2017, Phol Dhanya Public Company Limited (The Company) recorded revenue from sales and services of 985.84 MB, decreasing 112.15 MB or 10.21% compared to the revenue from sales and services of 1,097.99 MB in the previous year. Revenue from sales and services of Occupational Safety, Health and Environment Products (SAFETY) and Control Environment Products (CE) were increase according to expansion of manufacturing industries. However, Water Solution Products (WATER) recorded revenue from construction contracting service of the community water supply projects decreased compared with the previous year. In addition, the reversal of penalties arising from delays of constructions was recorded as deduction of revenue from construction and service contracts. The result of delayed completion of the construction continuously, the Company had more penalties arising from the delay of projects and costs overrun. In 2017, the company estimated liabilities arising from the delay of this project for 156.18 MB, however the amount of 129.84 MB was reclaimable from the sub-contractors. The Company assessed its ability to reclaim the penalties from the sub-contractors and estimated that the Company cannot reclaim any penalties from the sub-contractors. The Company has during taking the legal action to the sub-contractor for the penalties, in accordance with the conservative principle, the Company records the penalties arising from construction delay incurred in 2017 as cost of construction and fully provision for doubtful of 59.65 MB. However, the Company will recognized penalties as revenue when reclaim penalties from the sub-contractors.

In addition, The Company used DCF for asset valuation, therefore, the impairment of assets for drilling machines are 10 MB in quarter 4/2017. In 2017, the Company's loss before income tax was 134.98 MB and income tax credit balance of 17.50 MB from deferred tax assets which's calculated from allowance for doubtful debts. The Company's consolidate net loss attributable to equity holders of 117.48 MB in 2017

Operating performance

	unit : MB		
	2017	2016	% YoY
Revenue from sales	863.37	816.53	5.74%
Revenue from rendering of services	44.70	21.11	111.73%
Revenue from construction and service contracts	77.77	260.35	-70.13%
Other Revenue	8.83	4.87	81.35%
Total Revenue	994.68	1,102.87	-9.81%
Cost of sales	631.44	606.72	4.07%
Cost of rendering of services	43.16	21.88	97.29%
Cost of construction and service contracts	171.96	232.74	-26.12%
Total Costs	846.56	861.34	-1.72%
Gross Profit	139.28	236.65	-41.15%
Gross Profit (%)	14.13%	21.55%	
Total Selling & Administrative Expenses	269.82	246.79	9.33%

Management Discussion and Analysis for Year, ended December 31, 2017

Profit (Loss) before Finance Costs and Income Taxes Expense	(121.71)	(5.26)	2,212.05%
Profit (Loss) before Finance Costs and Income Taxes Expense (%)	(12.24%)	(0.48%)	
Profit (Loss) attributable to equity holders	(117.48)	(15.25)	670.53%
Net Profit (Loss) (%)	(11.81%)	(1.38%)	
Basic earnings per share (Baht)	(0.58)	(0.08)	622.19%
Weighted average number of ordinary shares (Million shares)*	202.50	189.80	

*In 2016, The Company has increases, Issuance of the Capital Increase Ordinary Shares offered for the existing shareholder of the Company proportionately to their shareholding (RO) of 40,499,996 Shares

Revenue

Revenue structure	unit : MB				
	2017	%	2016	%	% YoY
Occupational Safety, Health and Environment Products (SAFETY)	715.18	72.54%	687.37	62.60%	4.05%
Control Environment Products (CE)	163.84	16.62%	130.29	11.87%	25.74%
Water Solution Products (WATER)	106.83	10.84%	280.34	25.53%	-61.89%
Total revenue from sales and services	985.84	100%	1,097.99	100%	-10.21%

In 2017, the Company's sales and services were 985.84 MB, comprise 863.37 MB of revenue from sales, 44.70 MB of revenue from services and 77.77 MB of revenue from construction contracts. Total revenue decreased by 112.15 MB or 10.21%, compared with 1,097.99 MB in the previous year.

The overall of industrial economics outlook for the year 2017 has continued growth. Total manufacturing sector expanded by almost all industries, supported from both the export sector and domestic consumption demand. In particular, export-oriented production which is recovering in line with global economic. The company's customers which mostly in the key industries such as automotive industry and electronic industry and petrochemical have increased their demand for products and services of the Company. Revenue from sales and services of Occupational Safety, Health and Environment Products (SAFETY) was 715.18 MB, increasing by 27.81 MB, or 4.05%, from the previous year, mainly due to the revenue from sales and services of technical products. In addition, revenue from sales in government sector and new customers were increased.

Revenue earned from Control Environment Products or CE was 163.84 MB, increasing by 33.54 MB or 25.74% compared with the previous year. Major customers are in the electronics industry which has been growth according to market export growth.

Revenue from Water Solution Products or WATER equals 106.83 MB, decreasing by 173.50 MB or 61.89% compared with the previous year, due to revenue recognized from construction contracting service of the community water supply project was decreased and the reversal of penalties arising from delays of constructions was recorded as deduction of revenue from construction and service contracts. However, Revenue from services of water treatment systems in industrial customers were increase compared with previous year

Other revenues equals 8.83 MB comprise 5.06 MB of gain on exchange rate and 3.77 MB of income from properties rental and others.

Cost of Sales and Services

The Company's cost of sales and services in 2017 were 846.56 MB, comprising of 631.44 MB cost of sales and 43.16 MB cost of services and 171.96 MB cost of construction. Cost of sales increased proportionally with more revenue from sales. Cost of services includes depreciation cost for services increased proportionally with more revenue from services. Cost of construction was high than revenue due to the extra cost to rush the project completion.

Total Cost was accounted for 85.87% of total sales and services revenue, in 2017 the Company's gross profit margin of 14.13% % which decreased compare with 21.55% of the previous year. However, gross profit margin from sales and services of SAFETY and CE products were increase, due to the increase of sales of high margin products and cost of goods decreased from the appreciation of baht.

Selling and Administrative Expenses

In 2017, selling and administrative expenses were 269.82 MB comprising 91.62 MB of selling expenses and 178.20 MB of administrative expenses. The mostly of sales and administrative expenses were decrease due to the policy to reduce unnecessary expenses of the Company in the second half. However, some of expenses such as transportation expenses and sales commission were increase according to revenue from sales. Administrative expenses included 59.65 MB of provision for doubtful debt for receivables for penalties arising from delays of construction, 10 MB of allowance for impairment of assets for drilling machines and 4.67 MB of penalties arising from delays of constructions

The company's financial cost was 13.27 MB, increasing due to the increase in loan from financial institution for working capital.

Net profit

In 2017, The Company's loss before income tax was 134.98 MB and income tax credit balance of 17.50 MB from deferred tax assets. The company's consolidate loss profit (attributable to equity holders of the Company) was 117.48 MB, accounted for net loss margin 11.81%

Financial Position

	December 31, 2017		December 31, 2016		Unit : MB
	Amount	%	Amount	%	% Change
	Current Assets	576.63	50.84%	770.07	80.14%
Non-Current Assets	210.85	18.59%	190.88	19.86%	10.46%
Current Liabilities	484.34	42.70%	534.12	55.51%	-9.32%
Non-Current Liabilities	69.02	6.09%	75.82	7.88%	-8.97%
Shareholder's Equity of the Company	235.43	20.76%	352.31	36.61%	-33.18%

Assets

As of December 31, 2017, the Company's total assets equaled 787.48 MB, decreasing by 173.47 MB or 18.05% from December 31, 2016. The decreased assets were mainly from current assets decreasing from 129.67 MB of other receivables from allowance for doubtful debt for receivables for penalties arising from delays of construction. And unbilled receivables and prepaid expenses to the subcontractors for the construction decreased of 160.69 MB. However, cash and cash equivalents were increase of 43.42 MB.

Non-current assets amount to 210.85 MB, mainly increase from 30 MB of restricted deposits with financial institution for short-term loan facility and deferred tax assets increased of 18.53 MB. However, property, plant and equipment – net decrease of 10 MB of allowance for impairment of assets for drilling machines and 6.96 MB of sales of vehicles.

Liabilities

As of December 31, 2017, the Company's total liabilities equaled 553.36 MB, decreasing by 56.59 MB or 9.28% from December 31, 2016. The decreased liabilities mainly due to the decreased of 27.09 MB in short-term loans from financial institutions and 52.11 MB of moving the penalties arising from construction delay to cost of construction. However, trade and other payables were increase by 39.91 MB.

Non-current liabilities were increase mainly due to the increase of 5.75 MB from liabilities under finance lease MB and 7.14 MB of the long-term loans from financial institution. Employee benefit obligations were increase 2.46 MB.

Shareholder's equity

As of December 31, 2017, Total shareholders' equity of the Company was 235.43 MB, decrease due to the resulting from 117.48 MB of net loss for the period.

Cash Flows

Cash Flows	Unit : MB	
	December 31, 2017	December 31, 2016
Cashflow from (used in) operating activities	132.73	(242.85)
Cashflow from (used in) investing activities	(31.23)	(14.54)
Cashflow from (used in) financing activities	(58.63)	242.47
Net increase (decrease) in cash and cash equivalents	42.87	(14.93)
Cash and cash equivalents at the end of the period	92.23	44.13

The Company's net cash acquired from the operating activities was 132.73 MB, with loss from operations before changes in operating assets and liabilities of 5.31 MB. The major reason for the change, due to the trade and other receivables increased 50.72 MB, and unbilled receivables and prepaid expenses to the subcontractors for the construction decreased of 160.69 MB and trade and other payable were increased of 39.16 MB.

Cash flow utilized in investment activities amounts to 31.23 MB, mainly from 30 MB of restricted deposits with financial institution for short-term loan facility and 4.84 MB was used to purchase fix assets and software, but proceeds from sales of fixed assets of 2.78 MB.

Cash flow utilized in financing activities amounts to 58.63 MB mainly from repayment of loans from financial institutions of 39.49 MB and debt settlement according to financial lease of 8.01 MB was arranged, with an interest expense of 11.12 MB.