

Thai Poly Acrylic Public Company Limited
Condensed Notes to the Interim Financial Statements
For the three-month and nine-month periods ended 30 September 2010 and 2009

1 General information

Thai Poly Acrylic Public Company Limited (“the Company”) is a public limited company, incorporated and resident in Thailand. The address of its registered office is as follows:

Head office : 60-61 Moo 9, 4th Putthamonthon Road, Krathumlom, Sampran, Nakornpathom

Branch 1 : 134/5 Krungthonburi Road, Klongtonsai, Klongsan, Bangkok

Branch 2 : 77/20 Moo 12, Raikink, Sampran, Nakornpathom

The Company is listed on the Stock Exchange of Thailand. The Company engages principally in the business of manufacturing and selling of Acrylic, Acrylonitrile Butadiene Styrene and High Impact Polystyrene sheets. Each of these products is considered as part of the same line of business.

These interim financial statements have been approved by the Company’s Board of Directors on 11 November 2010.

These interim financial statements have been reviewed, not audited.

2 Basis of preparation

These interim financial statements are prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Professions Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission. The primary financial statements (i.e. balance sheets, statements of income, changes in shareholders’ equity and cash flows) are prepared in the full format as required by the Securities and Exchange Commission. The notes to the financial statements are prepared in a condensed format according to Thai Accounting Standard (TAS) 34 (Revised 2007), ‘Interim Financial Reporting’ (formerly TAS 41) and additional notes are presented as required by the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535.

An English version of the interim financial statements has been prepared from the statutory interim financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory interim financial statements shall prevail.

3 Summary of significant accounting policies

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2009.

New accounting standards, new financial reporting standard, amendments to accounting standards/financial reporting standard and framework for the preparation and presentation of financial statements

a) Framework for the preparation and presentation of financial statements

The amendments of framework for the preparation and presentation of financial statements are effective on 26 May 2010.

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3 Summary of significant accounting policies (Cont'd)

- b) New accounting standards, new financial reporting standard and amendments to accounting standards/financial reporting standard

The following new accounting standards, new financial reporting standard and amendments to accounting standards/financial reporting standard are mandatory for the accounting periods beginning on or after 1 January 2011 and 1 January 2013, but the Company has not early adopted them:

Effective for the period beginning on or after 1 January 2011

TAS 1	(Revised 2009)	Presentation of Financial Statements
TAS 2	(Revised 2009)	Inventories
TAS 7	(Revised 2009)	Statement of Cash Flows
TAS 8	(Revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10	(Revised 2009)	Events after the Reporting Period
TAS 11	(Revised 2009)	Construction Contracts
TAS 17	(Revised 2009)	Leases
TAS 23	(Revised 2009)	Borrowing Costs
TAS 24	(Revised 2009)	Related Party Disclosures
TAS 27	(Revised 2009)	Consolidated and Separate Financial Statements
TAS 28	(Revised 2009)	Investments in Associates
TAS 29		Financial Reporting in Hyperinflationary Economies
TAS 31	(Revised 2009)	Interests in Joint Ventures
TAS 33	(Revised 2009)	Earnings per Share
TAS 34	(Revised 2009)	Interim Financial Reporting
TAS 36	(Revised 2009)	Impairment of Assets
TAS 37	(Revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38	(Revised 2009)	Intangible Assets
TAS 40	(Revised 2009)	Investment Property
TFRS 3	(Revised 2009)	Business Combinations
TFRS 5	(Revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6		Exploration for and Evaluation of Mineral Resources

Effective for the period beginning on or after 1 January 2013

TAS 12		Income Taxes
TAS 20	(Revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance

Except for the impact on the financial statements regarding the classification of asset as non-current asset held for sale as mentioned in note 8 and deferred tax on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements : differences arise from depreciation on property, plant and equipment, allowance for doubtful accounts, allowance for inventories obsolescence and finance lease, the Company's management has determined that the new accounting standard, new financial reporting standard and amendments to accounting standards/financial reporting standard will not significantly impact the financial statements being presented.

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2009.

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4 Short-term investments

Short-term investments represent time deposit (12 months) with a bank of Baht 1 million (31 December 2009 : Baht 1.5 million) which was used as a security for bank overdraft facilities.

5 Related party transactions

The major shareholders of the Company are Lucite International UK Overseas Holdco1 Limited (incorporated in England) which owns 42.28% and Asiatic Acrylic Company Limited (incorporated in Thailand) which owns 34.12% of the Company's shares, respectively. The remaining 23.60% of the shares are widely held.

Lucite International UK Overseas Holdco1 Limited is a subsidiary of Lucite International Group Limited, of which the ultimate parent company is Mitsubishi Rayon Company Limited (incorporated in Japan).

The material related party transactions consist of the transactions carried out with Lucite Group, Mitsubishi Rayon Group, and Asiatic Acrylic Company Limited. They were carried out on the terms and conditions similar to those carried out with third parties and based on an arm's length basis. Service fee is charged based on the level of difficulty of service provided.

The material transactions with related parties can be summarised as follows:

i) Purchases/sales of goods and services for the three-month and nine-month periods ended 30 September

	For the three-month period		For the nine-month period	
	2010	2009	2010	2009
	Unaudited	Unaudited	Unaudited	Unaudited
	Baht	Baht	Baht	Baht
Sales of goods:				
Fellow subsidiaries	2,356,246	1,719,696	5,045,777	5,285,005
	<u>2,356,246</u>	<u>1,719,696</u>	<u>5,045,777</u>	<u>5,285,005</u>
Purchases of raw materials:				
Fellow subsidiaries	28,689,749	28,314,431	49,715,089	241,333,041
Subsidiary of ultimate parent	179,778,015	139,924,004	488,001,442	179,920,585
	<u>208,467,764</u>	<u>168,238,435</u>	<u>537,716,531</u>	<u>421,253,626</u>
Service fee expenses:				
Fellow subsidiaries	1,572,690	1,622,862	5,287,444	4,517,864
Subsidiary of ultimate parent	240,112	123,624	427,607	614,318
	<u>1,812,802</u>	<u>1,746,486</u>	<u>5,715,051</u>	<u>5,132,182</u>
Materials and supplies in transit:				
Subsidiary of ultimate parent	-	2,876,655	-	2,876,655
	<u>-</u>	<u>2,876,655</u>	<u>-</u>	<u>2,876,655</u>

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5 Related party transactions (Cont'd)

ii) Outstanding balances arising from sales/purchases of goods and services as at

	30 September 2010 Unaudited Baht	31 December 2009 Audited Baht
Trade accounts receivable - related companies: Fellow subsidiaries	2,215,422	4,514,302
	<u>2,215,422</u>	<u>4,514,302</u>
Trade accounts payable - related companies: Fellow subsidiaries Subsidiary of ultimate parent	13,754,448 253,162,566	98,806 195,547,788
	<u>266,917,014</u>	<u>195,646,594</u>
Other payables - related companies: Fellow subsidiaries Subsidiary of ultimate parent	5,193,907 236,279	5,313,757 579,520
	<u>5,430,186</u>	<u>5,893,277</u>

iii) Directors and management benefit expenses

Management benefit expenses represent salaries, retirement benefits and other benefits paid to management. Directors benefit expenses represent meeting fees and gratuities as approved by the shareholders in the Annual General Meeting of shareholders.

6 Trade accounts receivable (net)

	30 September 2010 Unaudited Baht	31 December 2009 Audited Baht
Trade accounts receivable	395,118,935	331,418,881
<u>Less</u> Allowance for doubtful accounts	<u>(708,430)</u>	<u>(718,430)</u>
Trade accounts receivable (net)	<u>394,410,505</u>	<u>330,700,451</u>

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6 Trade accounts receivable (net) (Cont'd)

Aging of the outstanding trade accounts receivable can be analysed as follows:

	30 September 2010 Unaudited Baht	31 December 2009 Audited Baht
Current	361,533,430	295,194,674
Overdue:		
less than 3 months	31,274,203	35,208,074
3 - 6 months	9,498	194,260
6 - 12 months	1,594,534	611,233
Over 12 months	707,270	210,640
Trade accounts receivable	395,118,935	331,418,881
<u>Less</u> Allowance for doubtful accounts	(708,430)	(718,430)
Trade accounts receivable (net)	<u>394,410,505</u>	<u>330,700,451</u>

7 Inventories (net)

	30 September 2010 Unaudited Baht	31 December 2009 Audited Baht
Finished goods	67,964,407	28,422,133
Raw materials	52,535,930	37,931,768
Spare parts and factory supplies	34,807,331	31,978,280
	155,307,668	98,332,181
<u>Less</u> Allowance for obsolescence and net realisable value of finished goods	(3,738,182)	(3,560,249)
	151,569,486	94,771,932
Inventories in transit	1,442,177	8,577,147
Inventories (net)	<u>153,011,663</u>	<u>103,349,079</u>

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8 Capital expenditure and commitments

	Property, plant and equipment Baht	Prepaid rental expenses Baht	Computer software in progress Baht	Total Baht
For the nine-month period ended 30 September 2010 (Unaudited)				
Opening net book amount	312,283,284	3,301,692	-	315,584,976
Additions	4,871,710	-	1,474,000	6,345,710
Disposals, net	(868)	-	-	(868)
Write-offs, net	(206,187)	-	-	(206,187)
Depreciation/amortisation	(26,925,460)	(767,113)	-	(27,692,573)
Closing net book amount	290,022,479	2,534,579	1,474,000	294,031,058

Property, plant and equipment include land for factory expansion of Baht 104.78 million.

On 16 January 2006, the Board of Directors passed a resolution to approve an investment of Baht 299 million for plant construction and relocation of certain plant to the Company's land for factory expansion. However, on 7 May 2010, the Board of Directors passed a resolution to authorise the Company's management to find out land buyers and also find out the location for constructing a new factory. Because the Company is in the process of finding out land buyers, the Company does not classify such land as non-current asset held for sale in accordance with TFRS 5 (Revised 2009).

As at 30 September 2010, the Company's land, buildings, machinery and equipment at cost of Baht 168 million (31 December 2009 : Baht 181 million) had been mortgaged and pledged as collateral for credit facilities obtained from local banks amounting to Baht 198 million (31 December 2009 : Baht 198 million).

9 Expense by nature

The following expenditure items for the three-month and nine-month periods ended 30 September 2010 and 2009, classified by nature, have been charged in arriving at profit before finance costs and income tax:

	For the three-month period ended 30 September 2010 (Baht)			
	Cost of sales and services	Selling expenses	Administrative expenses	Total
Raw materials and consumables used	358,184,282	-	-	358,184,282
Changes in inventories of finished goods	(28,480,115)	-	-	(28,480,115)
Depreciation	8,231,385	31,800	505,022	8,768,207
Repairs and maintenance expenditure	2,192,678	28,668	246,987	2,468,333
Amortisation of prepaid rental expenses	258,514	-	-	258,514
Staff costs	13,542,428	838,153	2,301,084	16,681,665
Other expenses	21,223,956	15,583,742	6,287,726	43,095,424
Total	375,153,128	16,482,363	9,340,819	400,976,310

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9 Expense by nature (Cont'd)

The following expenditure items for the three-month and nine-month periods ended 30 September 2010 and 2009, classified by nature, have been charged in arriving at profit before finance costs and income tax: (Cont'd)

	For the three-month period ended 30 September 2009 (Baht)			
	Cost of sales and services	Selling expenses	Administrative expenses	Total
Raw materials and consumables used	264,728,100	-	-	264,728,100
Changes in inventories of finished goods	(704,408)	-	-	(704,408)
Depreciation	9,965,381	51,955	833,117	10,850,453
Repairs and maintenance expenditure	2,404,112	28,013	262,755	2,694,880
Amortisation of prepaid rental expenses	258,514	-	-	258,514
Staff costs	12,566,699	852,081	4,275,584	17,694,364
Other expenses	20,009,681	14,953,888	7,621,757	42,585,326
Total	309,228,079	15,885,937	12,993,213	338,107,229

	For the nine-month period ended 30 September 2010 (Baht)			
	Cost of sales and services	Selling expenses	Administrative expenses	Total
Raw materials and consumables used	950,188,995	-	-	950,188,995
Changes in inventories of finished goods	(39,542,275)	-	-	(39,542,275)
Depreciation	24,917,750	108,601	1,899,109	26,925,460
Repairs and maintenance expenditure	7,601,169	123,053	655,964	8,380,186
Amortisation of prepaid rental expenses	767,113	-	-	767,113
Staff costs	39,898,884	2,640,672	10,327,970	52,867,526
Other expenses	62,823,666	44,234,395	19,713,033	126,771,094
Total	1,046,655,302	47,106,721	32,596,076	1,126,358,099

	For the nine-month period ended 30 September 2009 (Baht)			
	Cost of sales and services	Selling expenses	Administrative expenses	Total
Raw materials and consumables used	674,188,897	-	-	674,188,897
Changes in inventories of finished goods	6,331,569	-	-	6,331,569
Depreciation	29,232,949	172,486	2,559,526	31,964,961
Repairs and maintenance expenditure	5,813,825	58,209	490,700	6,362,734
Amortisation of prepaid rental expenses	767,113	-	-	767,113
Staff costs	35,425,682	2,662,295	12,339,098	50,427,075
Other expenses	50,473,152	36,390,481	20,365,571	107,229,204
Total	802,233,187	39,283,471	35,754,895	877,271,553

10 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period (2010 : 12,150,000 shares; 2009 : 12,150,000 shares). There are no potential dilutive ordinary shares in issue during the nine-month periods ended 30 September 2010 and 2009.

11 Dividends paid

On 28 April 2010, the shareholders at the Annual General Meeting passed a resolution to declare a dividend for the year 2009 of Baht 4.50 per share, totalling Baht 54.68 million. This dividend was paid on 27 May 2010.

On 27 April 2009, the shareholders at the Annual General Meeting passed a resolution to declare a dividend for the year 2008 of Baht 4.00 per share, totalling Baht 48.60 million. This dividend was paid on 27 May 2009.

12 Income tax

The interim income tax expense is accrued based on management's estimate using the tax rate that would be applicable to expected total annual earnings which is 25% (the estimated tax rate for the nine-month period ended 30 September 2009 was 25%).

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13 Cash flows from operating activities

Reconciliation of net profit before tax to cash flows from operating activities:

For the nine-month periods ended	Notes	30 September 2010 Unaudited Baht	30 September 2009 Unaudited Baht
Profit before income tax		47,686,840	58,184,730
Adjustments for:			
Depreciation and amortisation	8	27,692,573	32,732,074
Gain on sales of equipment		(21,087)	-
Loss on equipment written-off	8	206,187	-
Allowance for doubtful accounts (reversal)	6	(10,000)	718,430
Allowance for obsolescence and net realisable value of finished goods	7	177,933	964,850
Interest income		(446,137)	(123,605)
Interest expenses		76,944	275,320
Unrealised (gain) loss on exchange rate		267,424	(133,812)
Changes in operating assets and liabilities			
- Trade accounts receivable		(63,700,054)	(37,249,814)
- Trade accounts receivable - related companies		2,298,880	545,110
- Accounts receivable - forward contracts (net)		(1,355,548)	-
- Inventories		(49,840,517)	15,194,449
- Value added tax receivable		(285,051)	(1,545,691)
- Loans to employees		(54,708)	87,644
- Other current assets		(2,402,003)	(163,427)
- Trade accounts payable - related companies		71,270,420	(58,167,072)
- Trade accounts payable - other companies		40,772,843	23,229,697
- Other payables - related companies		(463,091)	213,852
- Other payables - other companies		(89,306)	2,923,183
- Accounts payable - forward contracts (net)		(782,330)	(1,194,926)
- Accrued expenses		(9,424,114)	10,560,972
- Other current liabilities		410,352	(1,617,683)
Cash generated from operations		61,986,450	45,434,281
Interest paid		-	(135,301)
Income tax paid		(19,768,176)	(10,037,598)
Net cash generated from operating activities		<u>42,218,274</u>	<u>35,261,382</u>

14 Commitments

(a) Lease and Service Agreements

The Company had entered into lease agreements covering land, buildings, storage tank for chemicals, vehicles and other service agreements.

The future minimum lease payments under non-cancellable agreements are as follows:

	30 September 2010 Unaudited Baht	31 December 2009 Audited Baht
Not later than 1 year	5,302,320	4,244,025
Later than 1 year but not later than 5 years	2,040,000	3,828,750
	<u>7,342,320</u>	<u>8,072,775</u>

(b) Letters of Guarantees

As at 30 September 2010, the Company had commitments with banks for bank guarantees in respect of electricity usage and others amounting to approximately Baht 6.7 million (31 December 2009 : Baht 5.2 million).

(c) Capital expenditure

The capital expenditure contracted at the balance sheet date but not recognised in the financial statements is as follows:

	30 September 2010 Unaudited Baht	31 December 2009 Audited Baht
Purchase of equipment	2,373,000	-
Purchase of computer software	576,000	-
	<u>2,949,000</u>	<u>-</u>

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15 Segment information

The Company engages principally in the business of manufacturing and selling of Acrylic, Acrylonitrile Butadiene Styrene and High Impact Polystyrene sheets. Each of these products is considered part of the same line of business which is regarded as one business segment.

Sales of the Company comprised mainly local sales and export sales to neighbouring countries. In addition, the Company also had export sales to countries in Middle East, Oceania and USA.

The geographical segment information for the three-month and nine-month periods ended 30 September 2010 and 2009 is presented below:

For the three-month period ended 30 September 2010					
	Local sales and export sales to neighbouring countries Baht	Export sales to countries in Middle East Baht	Export sales to countries in Oceania Baht	Export sales to USA Baht	Total Baht
Sales and services income	320,424,603	21,878,611	58,044,786	3,467,892	403,815,892
Cost of sales and services					(375,153,128)
Segment result					<u>28,662,764</u>

For the three-month period ended 30 September 2009					
	Local sales and export sales to neighbouring countries Baht	Export sales to countries in Middle East Baht	Export sales to countries in Oceania Baht	Export sales to USA Baht	Total Baht
Sales and services income	264,233,801	30,477,283	55,569,718	-	350,280,802
Cost of sales and services					(309,228,079)
Segment result					<u>41,052,723</u>

For the nine-month period ended 30 September 2010					
	Local sales and export sales to neighbouring countries Baht	Export sales to countries in Middle East Baht	Export sales to countries in Oceania Baht	Export sales to USA Baht	Total Baht
Sales and services income	953,774,245	68,345,826	125,880,143	8,206,162	1,156,206,376
Cost of sales and services					(1,046,655,302)
Segment result					<u>109,551,074</u>

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15 Segment information (Cont'd)

	For the nine-month period ended 30 September 2009				
	Local sales and export sales to neighbouring countries Baht	Export sales to countries in Middle East Baht	Export sales to countries in Oceania Baht	Export sales to USA Baht	Total Baht
Sales and services income	678,237,868	116,676,580	121,980,610	5,401,584	922,296,642
Cost of sales and services					(802,233,187)
Segment result					<u>120,063,455</u>

Due to the fact that these geographical segments are sharing the same revenue-generated assets and liabilities, the Company did not allocate cost of sales and services and assets and liabilities among these geographical segments.

16 Borrowing facilities

As at 30 September 2010, the significant undrawn borrowing facilities in respect of Trust Receipt, Packing Loan, Promissory Note and Bank Overdraft were Baht 193 million (31 December 2009 : Baht 193 million).