

Thai Poly Acrylic Public Company Limited

Notes to interim financial statements

For the three-month and nine-month periods ended 30 September 2011

1. General information

1.1 Corporate information

Thai Poly Acrylic Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholders are Lucite International UK Overseas Holdco1 Limited, incorporated in England and Asiatic Acrylic Company Limited, incorporated in Thailand, with shareholdings of 42.3 percent and 34.1 percent, respectively. Lucite International UK Overseas Holdco1 Limited is a subsidiary of Lucite International Group Limited, incorporated in England and the ultimate parent company of the Group is Mitsubishi Rayon Company Limited, incorporated in Japan. The Company is principally engaged in the manufacture and distribution of Acrylic, Acrylonitrile Butadiene Styrene and High Impact Polystyrene sheets. Each of these products is considered as part of the same line of business. The registered office of the Company is at 60-61 Moo 9, 4th Putthamonthon Road, Krathumlom, Sampran, Nakornpathom.

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standard No. 34 (revised 2009) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the Thai language financial statements.

1.3 Application of new accounting standards during the period

During the first quarter of 2011, the Company adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

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 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
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

Financial reporting standards:

TFRS 2	Share-Based Payment
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

Financial Reporting Standard Interpretations:

TFRIC 15 Agreements for the Construction of Real Estate

Accounting Standard Interpretations:

SIC 31 Revenue-Barter Transactions Involving Advertising Services

These accounting standards do not have any significant impact on the financial statements for the current period, except for the following accounting standard.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits and other long-term employee benefits using actuarial techniques. The Company previously accounted for such employee benefits when they were incurred.

The Company changed this accounting policy in the first quarter of 2011 and recognised the liability in the transition period through an adjustment to the beginning balance of retained earnings. The change has the effect of decreasing the profit of the Company for the three-month and nine-month periods ended 30 September 2011 by Baht 0.3 million, or 0.03 Baht per share, and Baht 0.9 million, or 0.08 Baht per share, respectively. The cumulative effect of the change in the accounting policy has been separately presented in the statement of changes in shareholders' equity.

1.4 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2010, except for the following changes in accounting estimation and accounting policy.

Changing in accounting estimation

Useful lives of machinery and equipment

In the first quarter of 2011, the Company reviewed and changed the useful lives of some machinery and equipment from 5 and 10 years to 15-20 years. The change became effective immediately from 1 January 2011 onwards. The change has the effect of increasing the profit of the Company for the three-month and nine-month periods ended 30 September 2011 by Baht 1.9 million, or 0.16 Baht per share, and Baht 5.7 million, or Baht 0.47 per share, respectively.

Changing in accounting policy

Employee benefits

Post-employment benefits (Defined contribution plans)

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

Post-employment benefits (Defined benefit plans) and other long-term employee benefits.

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan. In addition, the Company provides other long-term employee benefit plan, namely long service awards.

The obligations under the defined benefit plan and other long-term employee benefit plan are determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, and mortality rate.

For the first-time adoption of TAS 19 Employee Benefits, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings.

2. New accounting standards issued during the period not yet effective

During the first quarter of 2011, the Federation of Accounting Professions issued the below listed new accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting Standard Interpretations:

- SIC 10 Government Assistance - No Specific Relation to Operating Activities
- SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets
- SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

3. Related party transactions

During the periods, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September		Pricing policies
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
	<u>Transactions with related parties</u>				
Sales of goods	2.1	2.4	4.9	5.0	With reference to market price
Purchases of raw materials	181.5	208.5	519.5	537.7	As agreed with reference to market price
Service expenses	2.7	1.8	4.3	5.7	Contract price and as agreed

The balances of the accounts between the Company and those related parties as at 30 September 2011 and 31 December 2010 are as follows:

(Unit: Baht)

	<u>30 September 2011</u>	<u>31 December 2010</u>
		(Audited)
<u>Trade accounts receivable - related parties</u>		
Fellow subsidiaries	<u>2,248,163</u>	<u>1,086,156</u>
<u>Trade accounts payable - related parties</u>		
Fellow subsidiaries	-	6,813,259
Subsidiaries of ultimate parent		
Thai MMA Company Limited	238,756,815	207,313,197
Others	<u>18,240,826</u>	<u>16,536,301</u>
Total trade accounts payable - related parties	<u>256,997,641</u>	<u>230,662,757</u>
<u>Amount due to related parties</u>		
Fellow subsidiaries	4,144,686	4,233,657
Subsidiaries of ultimate parent	<u>511,437</u>	<u>348,621</u>
Total amount due to related parties	<u>4,656,123</u>	<u>4,582,278</u>

Directors and management's remunerations

During the three-month and nine-month periods ended 30 September 2011, the Company had employee benefits of their directors and management recognised as expenses totaling Baht 4.5 million and Baht 13.4 million, respectively.

(Unaudited but reviewed)

4. Trade accounts receivable

The balances of trade accounts receivable as at 30 September 2011 and 31 December 2010, aged on the basis of due dates, are summarised below.

	(Unit: Baht)
	30 September 2011
	31 December 2010
	(Audited)
<u>Age of receivables</u>	
<u>Receivables from related companies</u>	
Not yet due	2,248,163
Total	2,248,163
<u>Receivables from unrelated companies</u>	
Not yet due	357,381,316
Past due	
Up to 3 months	26,496,051
3 - 6 months	1,879,358
6 - 12 months	-
Longer than 12 months	708,430
Total	386,465,155
Less: Allowance for doubtful accounts	(708,430)
Net	385,756,725
Trade accounts receivable - net	388,004,888

5. Allowance for diminution in value of inventories

Movements of the allowance for diminution in value of inventories account during the nine-month period ended 30 September 2011 are summarised below.

	(Unit: Baht)
Balance as at 1 January 2011	4,227,219
Add: Allowance for diminution in value of inventories recorded during the period	380,532
Less: Reversal of allowance for diminution in value of inventories during the period	(575,668)
Balance as at 30 September 2011	4,032,083

6. Property, plant and equipment

Movements of the property, plant and equipment account during the nine-month period ended 30 September 2011 are summarised below.

	(Unit: Baht)
Net book value as at 1 January 2011	287,376,880
Acquisitions during the period - at cost	10,755,958
Written-off during the period - net book value at written-off date	(3)
Depreciation for the period	<u>(18,596,246)</u>
Net book value as at 30 September 2011	<u>279,536,589</u>

7. Computer software

Movements of the computer software account during the nine-month period ended 30 September 2011 are summarised below.

	(Unit: Baht)
Net book value as at 1 January 2011	2,050,000
Acquisitions during the period - at cost	32,000
Amortisation for the period	<u>(242,505)</u>
Net book value as at 30 September 2011	<u>1,839,495</u>

8. Prepaid rental expenses

Movements of the prepaid rental expense account during the nine-month period ended 30 September 2011 are summarised below.

	(Unit: Baht)
Net book value as at 1 January 2011	2,276,065
Amortisation for the period	<u>(767,114)</u>
Net book value as at 30 September 2011	<u>1,508,951</u>

9. Deposits for purchases of land

On 21 September 2011, the Company entered into an agreement to buy and to sell land, in order to acquire the land in the vicinity of its factory area which is being leased. Under the terms of the agreements, the Company is to purchase the land at a price of Baht 83.0 million. On the agreement date, the Company paid land purchase deposits totaling Baht 8.3 million. In October 2011, the Company fully paid the remaining amount and received the transfer of land ownership.

10. Credit facilities

The credit facilities of the Company granted by financial institutions amounting to Baht 266 million (31 December 2010: Baht 266 million) are secured by the following:

- a) The pledges/mortgages by land, buildings, machinery and equipment of the Company, with cost totaling Baht 183 million (31 December 2010: Baht 183 million)
- b) The pledges/mortgages by twelve-month fixed deposit (for bank overdraft facilities)

11. Statutory reserve

According to the Public Limited Companies Act B.E.2535, the Company is required to set aside a statutory reserve at least five percent of its net profit for the year, after deducting accumulated deficit brought forward (if any), until such reserve reaches ten percent of the registered share capital. The statutory reserve could not be used for dividend payment. At present, the Company's statutory reserve reaches ten percent of the registered share capital.

12. Corporate income tax

Corporate income tax for the period has been calculated by multiplying income before income tax for the period by the estimated effective tax rate for the year.

13. Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2011	2010	2011	2010
	Profit for the period (Baht)	19,644,242	7,113,760	52,388,832
Weighted average number of ordinary shares (shares)	12,150,000	12,150,000	12,150,000	12,150,000
Earnings per share (Baht/share)	1.62	0.59	4.31	2.92

14. 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.

(Unaudited but reviewed)

Sales of the Company comprised mainly domestic sales and export sales to neighboring countries. In addition, the Company also had export sales to countries in Middle East, Oceania and the United States of America.

Sales and service income by geographic markets of the Company for the three-month and nine-month periods ended 30 September 2011 and 2010 are as follows:

(Unit: Million Baht)

	For the three-month		For the nine-month	
	periods ended		periods ended	
	30 September		30 September	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Thailand and neighboring countries	320.1	320.4	1,017.9	953.8
Countries in Middle East	32.8	21.9	83.8	68.3
Countries in Oceania	49.6	58.0	117.0	125.9
The United States of America	5.3	3.5	10.7	8.2
Total	<u>407.8</u>	<u>403.8</u>	<u>1,229.4</u>	<u>1,156.2</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.

15. Dividend paid

During the nine-month periods ended 30 September 2011 and 2010, the Company declared the following dividends for payment to its shareholders.

<u>Dividend</u>	<u>Approved by</u>	<u>Total dividends</u> (Million Baht)	<u>Dividend per share</u> (Baht per share)
Final dividend for year 2010	Annual General Meeting of the shareholders on 27 April 2011	<u>48.6</u>	<u>4.0</u>
Final dividend for year 2009	Annual General Meeting of the shareholders on 28 April 2010	<u>54.7</u>	<u>4.5</u>

16. Commitments and contingent liabilities**16.1 Capital commitments**

As at 30 September 2011, the Company had capital commitments of Baht 79.9 million, relating to the acquisitions of land, machinery and equipment.

16.2 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of buildings. The terms of the agreements are generally within three years.

As at 30 September 2011, future minimum lease payments required under these non-cancellable operating lease contracts were as follows:

	(Unit: Million Baht)
Payable within:	
Less than 1 year	1.2
1 to 5 years	2.2
Total	<u>3.4</u>

16.3 Service agreement commitments

As at 30 September 2011, the Company had commitments of Baht 4.2 million, relating to service agreements which are payable within one year.

16.4 Bank guarantees

As at 30 September 2011, there were outstanding bank guarantees of approximately Baht 6.7 million issued by a bank on behalf of the Company in respect of electricity usage and others.

17. Foreign currency risk

The balances of financial assets and liabilities of the Company denominated in foreign currencies as at 30 September 2011 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 30 September 2011
	(Million)	(Million)	(Baht per 1 foreign currency unit)
USD	4.4	0.5	31.1674
AUD	0.8	-	30.4449
JPY	-	8.4	0.4069
EUR	-	0.2	42.2426

(Unaudited but reviewed)

Forward exchange contract outstanding of the Company as at 30 September 2011 are summarised below.

Foreign currency	Amount	Contractual exchange rate
	(Million)	(Baht per 1 foreign currency unit)
Contracts to sell foreign currencies		
USD	1.4	29.9650 - 30.6280

18. Event after the reporting period

During October and November 2011, there was severe flooding in Thailand. The location of the Company's factory and office was inundated, but the Company's production lines were not flooded. The Company has temporarily ceased some production as a preventive measure and supply chains have been impacted. The Company is currently assessing the damage to its assets.

19. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 23 November 2011.