

Thai Poly Acrylic Public Company Limited
Notes to interim financial statements
For the three-month period ended 31 March 2013

1. General information

1.1 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard 34 *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.

1.2 Application of new accounting standards during the period

The Federation of Accounting Professions issued the following accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
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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

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the accounting standard for income taxes, as detailed below.

TAS 12 *Income Taxes*

This accounting standard requires an entity to identify temporary differences arising from differences between the carrying amount of an asset or liability in the accounting records and its tax base in order to recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company has changed this accounting policy in this current quarter and restated the prior year's financial statements, presented as comparative information, as though the Company had initially recognised the tax effects as deferred tax assets or liabilities. The change has the effect of increasing the profit of the Company for the three-month period ended 31 March 2013 by Baht 0.2 million, or 0.002 Baht per share (2012: decreasing by Baht 1 million, or 0.008 Baht per share). The cumulative effect in the brought-forward retained earnings has been separately presented in the statements of changes in shareholders' equity.

1.3 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 2012, except for the change in the accounting policy due to the adoption of TAS 12 *Income Taxes* as follow:

Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profits will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

2. New accounting standards not yet effective

The Federation of Accounting Professions has issued notifications, which are published in the Royal Gazette during the current period, mandating the use of financial reporting standard, accounting standard interpretation and financial reporting standard interpretations as follows.

	<u>Effective date</u>
Financial Reporting Standard:	
TFRS 4 Insurance Contracts	1 January 2016
Accounting Standard Interpretation:	
TSIC 29 Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:	
TFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4 Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7 Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10 Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12 Service Concession Arrangements	1 January 2014
TFRIC 13 Customer Loyalty Programmes	1 January 2014

(Unaudited but reviewed)

The management of the Company has assessed the effect of the above financial reporting standard, accounting standard interpretation and financial reporting standard interpretations and believes that they will not have any significant impact on the financial statements for the year when they are initially applied.

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		Pricing policies
	ended 31 March		
	<u>2013</u>	<u>2012</u>	
<u>Transactions with related parties</u>			
Sales of goods	2	4	With reference to market price
Purchases of raw materials	159	155	As agreed with reference to market price
Service expenses	1	1	Contract price and as agreed

The balances of the accounts between the Company and those related parties as at 31 March 2013 and 31 December 2012 are as follows:

(Unit: Thousand Baht)

	31 March	31 December
	<u>2013</u>	<u>2012</u>
		(Audited)
<u>Trade receivables - related parties (Note 4)</u>		
Fellow subsidiaries	<u>1,671</u>	<u>6,229</u>
<u>Trade and other payables - related parties (Note 7)</u>		
Fellow subsidiaries	4,121	5,607
Subsidiaries of ultimate parent		
Thai MMA Company Limited	196,085	170,218
Others	<u>11,078</u>	<u>10,427</u>
Total trade and other payables - related parties	<u>211,284</u>	<u>186,252</u>

Directors and management's remunerations

During the three-month period ended 31 March 2013, the Company had employee benefits of their directors and management recognised as expenses totaling Baht 6 million (2012: Baht 5 million).

(Unaudited but reviewed)

4. Trade and other receivables

	(Unit: Thousand Baht)	
	31 March 2013	31 December 2012
		(Audited)
Trade receivables - related parties		
Aged on the basis of due dates		
Not yet due	1,671	4,213
Past due		
Up to 3 months	-	2,016
Total trade receivables - related parties	<u>1,671</u>	<u>6,229</u>
Trade receivables - unrelated parties		
Aged on the basis of due dates		
Not yet due	356,475	293,204
Past due		
Up to 3 months	21,083	75,555
3 - 6 months	1,375	948
6 - 12 months	570	-
Total trade receivables - unrelated parties	<u>379,503</u>	<u>369,707</u>
Total trade receivables	381,174	375,936
Other receivables	907	1,014
Total trade and other receivables	<u><u>382,081</u></u>	<u><u>376,950</u></u>

5. Reduce cost to net realisable value of inventories

Movements of the reduce cost to net realisable value of inventories account during the three-month period ended 31 March 2013 are summarised below.

	(Unit: Thousand Baht)
Balance as at 1 January 2013	6,866
Add: Reduce cost to net realisable value of inventories increase during the period	3,412
Less: Reversal of reduce cost to net realisable value of inventories during the period	<u>(1,672)</u>
Balance as at 31 March 2013	<u><u>8,606</u></u>

(Unaudited but reviewed)

6. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 March 2013 are summarised below.

	(Unit: Thousand Baht)
Net book value as at 1 January 2013	376,550
Add: Acquisitions during the period - at cost	10,703
Less: Depreciation for the period	<u>(4,280)</u>
Net book value as at 31 March 2013	<u>382,973</u>

7. Trade and other payables

	(Unit: Thousand Baht)	
	31 March	31 December
	2013	2012
	<u> </u>	<u> </u>
		(Audited)
Trade payables - related parties	210,048	183,667
Trade payables - unrelated parties	165,308	163,779
Amount due to related parties	1,236	2,585
Other payables	39,121	38,004
Accrued expenses	<u>20,089</u>	<u>30,148</u>
Total trade and other payables	<u>435,802</u>	<u>418,183</u>

8. Provision for long-term employee benefits

Movements of the provision for long-term employee benefits account during the three-month period ended 31 March 2013 are summarised below.

	(Unit: Thousand Baht)		
	Legal severance	Long service	
	payment plan	awards	Total
	<u> </u>	<u> </u>	<u> </u>
Balance as at 1 January 2013	12,285	1,256	13,541
Recognition during the period	<u>610</u>	<u>92</u>	<u>702</u>
Balance as at 31 March 2013	<u>12,895</u>	<u>1,348</u>	<u>14,243</u>

9. Credit facilities

The credit facilities of the Company granted by financial institutions amounting to Baht 238 million (31 December 2012: Baht 238 million) are secured by the following:

- a) The pledges/mortgages by land, buildings, machinery and equipment of the Company, with cost totaling Baht 77 million (31 December 2012: Baht 77 million)
- b) The pledge/mortgage by twelve-month fixed deposit (for bank overdraft facilities)

10. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month periods ended 31 March 2013 and 2012 are made up as follows:

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
		(Restated)
Current income tax:		
Interim corporate income tax charge	4,396	9,510
Deferred tax:		
Relating to origination and reversal of temporary differences	<u>(197)</u>	<u>1,020</u>
Income tax expense reported in the statements of comprehensive income	<u>4,199</u>	<u>10,530</u>

11. 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 period.

On 22 April 2013, the Annual General Meeting of the Company's shareholders passed a resolution to approve a change in the par value of the Company's shares from Baht 10 per share to Baht 1 per share. The Company is currently in the process of registering the change in par value with the Ministry of Commerce. Therefore, the weighted average number of ordinary shares in issue during the period is the number of shares after having reflected the change in par value as if the share split had occurred at the beginning of the earliest period reported.

(Unaudited but reviewed)

	For the three-month periods ended 31 March	
	2012	2011 (Restated)
Profit for the period (Thousand Baht)	16,668	34,309
Weighted average number of ordinary shares (thousand shares)	121,500	121,500
Earnings per share (Baht per share)	0.14	0.28

12. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

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 operating segment.

Sales and service income by geographical segments of the Company for the three-month periods ended 31 March 2013 and 2012 are as follows:

	(Unit: Million Baht)	
	<u>2013</u>	<u>2012</u>
Segment in Asia	337	310
Segment in other continents	53	58
Total	<u>390</u>	<u>368</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.

13. Dividends

On 22 April 2013, the Annual General Meeting of the Company's shareholders passed a resolution to approve dividend payment of Baht 7 per share, or a total of Baht 85 million, in respect of the 2012 earnings. In September 2012, the Company paid an interim dividend of Baht 2 per share, or a total of Baht 24 million, leaving a dividend of Baht 5 per share, or a total of Baht 61 million, which the Company will pay and record in the second quarter of the current year.

14. Commitments and contingent liabilities**14.1 Capital commitments**

As at 31 March 2013, the Company had capital commitments of Baht 21 million (31 December 2012: Baht 0.3 million), relating to the acquisitions of machinery and equipment.

14.2 Operating lease and service agreement commitments

The Company has entered into lease agreement in respect of the lease of buildings and several service agreements. The terms of the agreements are generally between 1 to 3 years.

Future minimum lease payments required under these non-cancellable operating lease and service agreements were as follows:

	(Unit: Million Baht)	
	31 March 2013	31 December 2012
Payable within:		
Less than 1 year	2	3
1 to 5 years	1	1

14.3 Bank guarantees

As at 31 March 2013, there were outstanding bank guarantees of Baht 7 million (31 December 2012: Baht 7 million) issued by a bank on behalf of the Company in respect of electricity usage and others.

15. Foreign currency risk

The balances of financial assets and liabilities of the Company denominated in foreign currencies are summarised below.

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	As at	As at	As at	As at	As at	As at
	31 March	31 December	31 March	31 December	31 March	31 December
	2013	2012	2013	2012	2013	2012
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	2.9	2.7	0.4	0.5	29.3085	30.6316
Australian dollar	0.7	0.6	-	-	30.5162	31.7757
Japanese yen	-	-	9.8	0.1	0.3115	0.3545
Euro	-	-	0.1	6.6	37.5712	40.5563

The outstanding forward exchange contracts of the Company are summarised below.

As at 31 March 2013			
Foreign currency	Amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
Contracts to sell foreign currencies			
US dollar	1.6	29.7250 - 29.9352	July to August 2013
As at 31 December 2012			
Foreign currency	Amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
Contracts to sell foreign currencies			
US dollar	1.5	30.7125 - 30.7325	April to May 2013

16. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 9 May 2013.