

Thai Poly Acrylic Public Company Limited

Notes to interim financial statements

For the three-month and nine-month periods ended 30 September 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 New accounting standards

Below is a summary of accounting standards that became effective in the current accounting period and those that will become effective in the future.

(a) Accounting standards that became effective in the current accounting period

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:

TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 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 between the carrying amount of an asset or liability in the statement of financial position and its tax base and recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company changed this accounting policy in the first quarter of 2013 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 decreasing the profit of the Company for the three-month and nine-month periods ended 30 September 2013 by Baht 0.6 million, or 0.005 Baht per share, and Baht 0.1 million or 0.0007 Baht per share, respectively (2012: decreasing the profit by Baht 0.7 million, or 0.005 Baht per share, and Baht 1.6 million, or 0.013 Baht per share, respectively). The cumulative effect in the brought-forward retained earnings has been separately presented in the statements of changes in shareholders' equity.

(b) Accounting standards that will become effective in the future

	<u>Effective date</u>
Accounting Standard:	
TAS 12 (revised 2012) Income taxes	1 January 2014
Financial Reporting Standard:	
TFRS 4 Insurance Contracts	1 January 2016
Accounting Standard Interpretations:	
TSIC 15 Operating Leases - Incentives	1 January 2014
TSIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29 Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32 Intangible Assets - Web Site Costs	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 <i>TAS 29 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
TFRIC 17 Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18 Transfers of Assets from Customers	1 January 2014

The management of the Company has assessed the effect of the above accounting standard, 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.

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. 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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
	<u>Transactions with related parties</u>				
Sales of goods	7	2	13	13	With reference to market price
Purchases of raw materials	136	138	424	454	As agreed with reference to market price
Service expenses	1	1	4	3	Contract price and as agreed

The balances of the accounts between the Company and those related parties as at 30 September 2013 and 31 December 2012 are as follows:

(Unit: Thousand Baht)

	<u>30 September 2013</u>	<u>31 December 2012</u>
		(Audited)
<u>Trade receivables - related parties (Note 3)</u>		
Related companies (under common parent company)	<u>6,554</u>	<u>6,229</u>
<u>Trade and other payables - related parties (Note 6)</u>		
Related companies (under common parent company)	4,461	5,607
Related companies (under common ultimate parent company)		
Thai MMA Company Limited	179,792	170,218
Others	<u>7,864</u>	<u>10,427</u>
Total trade and other payables - related parties	<u>192,117</u>	<u>186,252</u>

Directors and management's remunerations

During the three-month and nine-month periods ended 30 September 2013, the Company had employee benefits of its directors and management recognised as expenses totaling Baht 4 million and Baht 15 million, respectively (2012: Baht 5 million and Baht 15 million, respectively).

(Unaudited but reviewed)

3. Trade and other receivables

	(Unit: Thousand Baht)	
	30 September	31 December
	2013	2012
	<u> </u>	<u> </u>
Trade receivables - related parties		(Audited)
Aged on the basis of due dates		
Not yet due	2,980	4,213
Past due		
Up to 3 months	3,574	2,016
Total trade receivables - related parties	<u>6,554</u>	<u>6,229</u>
Trade receivables - unrelated parties		
Aged on the basis of due dates		
Not yet due	264,264	293,204
Past due		
Up to 3 months	61,546	75,555
3 - 6 months	25	948
Over 1 year	250	-
Total trade receivables - unrelated parties	<u>326,085</u>	<u>369,707</u>
Total trade receivables	332,639	375,936
Other receivables	595	1,014
Total trade and other receivables	<u><u>333,234</u></u>	<u><u>376,950</u></u>

4. Reduce cost to net realisable value of inventories

Movements of the reduce cost to net realisable value of inventories account during the nine-month period ended 30 September 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	3,949
Less: Reversal of reduce cost to net realisable value of inventories	
during the period	<u>(3,942)</u>
Balance as at 30 September 2013	<u><u>6,873</u></u>

(Unaudited but reviewed)

5. Property, plant and equipment

Movements of the property, plant and equipment account during the nine-month period ended 30 September 2013 are summarised below.

	(Unit: Thousand Baht)
Net book value as at 1 January 2013	376,550
Add: Acquisitions during the period - at cost	29,466
Less: Disposals during the period - net book value as at disposal date	(691)
Depreciation for the period	(13,152)
Net book value as at 30 September 2013	<u>392,173</u>

6. Trade and other payables

	(Unit: Thousand Baht)	
	30 September 2013	31 December 2012
		(Audited)
Trade payables - related parties	189,539	183,667
Trade payables - unrelated parties	123,477	163,779
Amount due to related parties	2,578	2,585
Other payables	21,949	38,004
Accrued expenses	21,802	30,148
Total trade and other payables	<u>359,345</u>	<u>418,183</u>

7. Provision for long-term employee benefits

Movements of the provision for long-term employee benefits account during the nine-month period ended 30 September 2013 are summarised below.

	(Unit: Thousand Baht)		
	Legal severance payment plan	Long service awards	Total
Balance as at 1 January 2013	12,285	1,256	13,541
Recognition during the period	1,830	278	2,108
Balance as at 30 September 2013	<u>14,115</u>	<u>1,534</u>	<u>15,649</u>

8. Undrawn credit facilities

The credit facilities of the Company granted by financial institutions amounting to Baht 238 million (31 December 2012: Baht 238 million) have yet to been drawn down and are secured by the following collaterals:

- 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)

In October 2013, the Company redeemed these collaterals, with no impact to the Company's credit facilities.

9. Income tax

Income tax expenses for the three-month and nine-month periods ended 30 September 2013 and 2012 are made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September	ended 30 September	ended 30 September	ended 30 September
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		(Restated)		(Restated)
Current income tax:				
Interim corporate income tax charge	1,506	6,016	10,187	25,173
Deferred tax:				
Relating to origination and reversal of temporary differences	568	681	89	1,646
Income tax expenses reported in the statements of comprehensive income	<u>2,074</u>	<u>6,697</u>	<u>10,276</u>	<u>26,819</u>

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

10. 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.

(Unaudited but reviewed)

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 registered the change in par value with the Ministry of Commerce on 10 May 2013. 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.

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2013	2012 (Restated)	2013	2012 (Restated)
Profit for the period (Thousand Baht)	9,504	22,829	43,336	90,468
Weighted average number of ordinary shares (thousand shares)	121,500	121,500	121,500	121,500
Earnings per share (Baht per share)	0.08	0.19	0.36	0.74

11. 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 is engaged principally in the manufacture and sale of Acrylic sheets, Acrylonitrile Butadiene Styrene sheets, High Impact Polystyrene sheets and other extruded plastic sheets. Each of these products is considered part of the same line of business, which is regarded as a single operating segment. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment.

Sales and service income by geographical segments of the Company for the three-month and nine-month periods ended 30 September 2013 and 2012 are as follows:

	(Unit: Million Baht)			
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2013	2012	2013	2012
Segment in Thailand	216	251	712	797
Segment in overseas	119	129	352	357
Total	335	380	1,064	1,154

12. Dividends paid

During the nine-month periods ended 30 September 2013 and 2012, 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)
<u>For the nine-month period ended 30 September 2013</u>			
Final dividend for year 2012	Annual General Meeting of the shareholders on 22 April 2013	61	5.0
<u>For the nine-month period ended 30 September 2012</u>			
Final dividend for year 2011	Annual General Meeting of the shareholders on 27 April 2012	55	4.5
Interim dividend for year 2012	Board of Directors Meeting on 10 August 2012	24	2.0
Total dividends		79	6.5

13. Commitments and contingent liabilities**13.1 Capital commitments**

As at 30 September 2013, the Company had capital commitments of Baht 12 million (31 December 2012: Baht 0.3 million), relating to the acquisitions of machinery and equipment.

13.2 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)	
	<u>30 September 2013</u>	<u>31 December 2012</u>
Payable within:		
Less than 1 year	3	3
1 to 5 years	-	1

13.3 Bank guarantees

As at 30 September 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.

14. 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
	30 September	31 December	30 September	31 December	30 September	31 December
	2013	2012	2013	2012	2013	2012
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	3.4	2.7	0.3	0.5	31.3907	30.6316
Australian dollar	0.4	0.6	-	-	29.2042	31.7757
Japanese yen	-	-	10.5	0.1	0.3211	0.3545
Euro	-	-	-	6.6	42.3605	40.5563

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

As at 30 September 2013			
Foreign currency	Amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
Contracts to sell foreign currencies			
US dollar	2.1	31.1242 - 31.3320	9 December 2013 to 14 February 2014

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	11 April to 10 May 2013

15. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 12 November 2013.