**Thai Poly Acrylic Public Company Limited**

**Notes to interim financial statements**

**For the three-month and nine-month periods ended 30 September 2020**

**1. General information**

**1.1 Corporate information**

During the second quarter of the year 2020, there was a restructuring of shareholding within the group by an ultimate shareholder of Asiatic Acrylics Company Limited, the second largest shareholder of the Company, which did not result in a change of control. As a result of the restructuring, Asiatic Acrylics Company Limited has become a foreign company, as defined under the Foreign Business Act B.E. 2542. As a consequence, when all holdings of the Company’s foreign shareholders are combined, the Company has also become a foreign company.

During the third quarter of the year 2020, the Company applied for a business license under Section 17 of the Foreign Business Act B.E. 2542 regarding the hire production business and completed the payment of business license fees to the Department of Business Development on 14 August 2020. The Company must comply with the conditions specified in the foreign business license as discussed in Note 13 to the financial statements.

**1.2 Coronavirus disease 2019 pandemic**

The Coronavirus disease 2019 pandemic is continuing to evolve, resulting in a generally economic slowdown and adversely impacting most businesses and industries. This situation may bring uncertainties and have an impact on the environment in which the Company operates.

The Company’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

**1.3 Basis for the preparation of interim financial statements**

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 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 interim financial statements.

**1.4 New financial reporting standards**

**a) Financial reporting standards that became effective in the current period**

During the period, the Company has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2020.These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements. However, the new standard involves changes to key principles, which are summarised below:

**Financial reporting standards related to financial instruments**

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

|  |  |
| --- | --- |
| TFRS 7 | Financial Instruments: Disclosures |
| TFRS 9 | Financial Instruments |

Accounting standard:

|  |  |
| --- | --- |
| TAS 32 | Financial Instruments: Presentation |

Financial Reporting Standard Interpretations:

|  |  |
| --- | --- |
| TFRIC 16 | Hedges of a Net Investment in a Foreign Operation |
| TFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments |

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company’s business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments.

These standards do not have any significant impact on the Company’s financial statements.

**TFRS 16 Leases**

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases.

The Company adopted these financial reporting standards using the modified retrospective method of initial adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The cumulative effect of the change is described in Note 2.

**b) Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2021**

The Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2021. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

**1.5 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 2019 except the changes in accounting policies related to financial instruments and leases.

**1.5.1 Financial instruments**

***Classification and measurement***

Financial assets that are debt instruments are measured at fair value through profit or loss, fair value through other comprehensive income, or amortised cost. Classification is driven by the Comany’s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

Financial assets that are equity instruments are measured at fair value through profit or loss.

Financial liabilities are classified and measured at amortised cost.

Derivatives are classified and measured at fair value through profit or loss

***Impairment of financial assets***

The Company recognises an allowance for expected credit losses on its financial assets measured at amortised cost, without requiring a credit-impaired event to have occurred prior to the recognition. The Company accounts for changes in expected credit losses in stages, with differing methods of determining allowance for credit losses and the effective interest rate applied at each stage. An exception from this approach is that for trade receivables that do not contain a significant financing component, the Company applies a simplified approach to determine the lifetime expected credit losses.

**1.5.2 Leases**

***Right-of-use assets***

The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised through initial measurement, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received.

Unless the Company is reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

***Lease liabilities***

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted by the interest rate implicit in the lease or the Company’s incremental borrowing rate. After   
the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or reassessment.

***Short-term leases and Leases of low-value assets***

Payments under leases that, have a lease term of 12 months or less at the commencement date, or are leases of low-value assets, are recognised as expenses on a straight-line basis over the lease term.

**2. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards**

As described in Note 1.4 to the financial statements, during the current period, the Company has adopted financial reporting standards related to financial instruments and TFRS 16. The cumulative effect of initially applying these standards is recognised as an adjustment to retained earnings as at 1 January 2020. Therefore, the comparative information was not restated.

The changes in accounting policies do not have any impact on the beginning balance of retained earnings of 2020, but have impact on assets and liabilities in the statements of financial position as follows:

| (Unit: Thousand Baht) | | | | |
| --- | --- | --- | --- | --- |
|  |  | The impacts of | |  |
|  | 31 December 2019 | Financial reporting standards related to financial instruments | TFRS 16 | 1 January 2020 |
| **Statement of financial position** |  |  |  |  |
| **Assets** |  |  |  |  |
| **Current assets** |  |  |  |  |
| Current investment - fixed deposit | 1,166 | (1,166) | - | - |
| Other current financial assets | - | 1,166 | - | 1,166 |
| **Non-current assets** |  |  |  |  |
| Other non-current financial assets | - | 303 | - | 303 |
| Property, plant and equipment | 252,469 | - | 3,447 | 255,916 |
| Other non-current assets | 303 | (303) | - | - |
| **Liabilities and shareholders’ equity** |  |  |  |  |
| **Current liabilities** |  |  |  |  |
| Current portion of lease liabilities | - | - | 1,241 | 1,241 |
| **Non-current liabilities** |  |  |  |  |
| Lease liabilities,  net of current portion | - | - | 2,206 | 2,206 |

**2.1 Financial instruments**

The classifications, measurement basis and carrying values of financial assets in accordance with TFRS 9 as at 1 January 2020, and with the carrying amounts under the former basis, are as follows:

|  | (Unit: Thousand Baht) | |
| --- | --- | --- |
|  | Carrying amounts under the former basis | Classification and measurement  in accordance with TFRS 9 - amortised cost |
| **Financial assets as at  1 January 2020** |  |  |
| Cash and cash equivalents | 162,744 | 162,744 |
| Other current financial assets | 1,166 | 1,166 |
| Trade and other receivables | 224,821 | 224,821 |
| Other non-current financial assets | 303 | 303 |
| **Total financial assets** | 389,034 | 389,034 |

As at 1January 2020, the Company has not designated any financial liabilities at fair value through profit or loss.

**2.2 Leases**

Upon initial application of TFRS 16 the Company recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate at 1 January 2020.

For leases previously classified as finance leases, the Company recognised the carrying amount of the right-of-use assets and lease liabilities based on the carrying amounts of the lease assets and lease liabilities immediately before the date of initial application of TFRS 16.

|  |  |
| --- | --- |
| (Unit: Thousand Baht) | |
| Operating lease commitments as at 31 December 2019 | 1,531 |
| Add: Option to extend lease term | 2,544 |
| Less: Contracts reassessed as service agreements | (577) |
| Deferred interest expenses | (51) |
| Increase in lease liabilities due to TFRS 16 adoption | 3,447 |
| Lease liabilities as at 1 January 2020 | 3,447 |
|  |  |
| Comprise of: |  |
| Current lease liabilities | 1,241 |
| Non-current lease liabilities | 2,206 |
|  | 3,447 |

The adjustments of right-of-use assets due to TFRS 16 adoption as at 1 January 2020 are summarised below:

|  |  |
| --- | --- |
| (Unit: Thousand Baht) | |
| Rented office building | 3,447 |
| **Total right-of-use assets** | 3,447 |

**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  period ended 30 September | | For the nine-month  period ended 30 September | | Pricing policies |
|  | 2020 | 2019 | 2020 | 2019 |  |
| Transactions with related parties |  |  |  |  |  |
| Purchases of raw materials | 107 | 73 | 248 | 285 | As agreed with reference to market price |
| Service expenses | - | 1 | 1 | 3 | Contract price and as agreed |

The balances of the accounts between the Company and those related parties as at 30 September 2020 and 31 December 2019 are as follows:

|  | (Unit: Thousand Baht) | |
| --- | --- | --- |
|  | 30 September 2020 | 31 December 2019 |
| Trade and other payables - related parties (Note 7) |  | (Audited) |
| Fellow subsidiaries: |  |  |
| Lucite International (Shanghai) Trading  Company Limited | 502 | 469 |
| Lucite International UK Ltd (Darwen) | 87 | 83 |
| Lucite International Singapore Pte Ltd | - | 5 |
| Subsidiaries of ultimate parent: |  |  |
| Thai MMA Company Limited | 142,685 | 96,662 |
| Diapolyacrylate Company Limited | 1,086 | 2,382 |
| Total trade and other payables - related parties | 144,360 | 99,601 |

Directors and management’s benefits

During the three-month and nine-month periods ended 30 September 2020 and 2019, the Company had employee benefit expenses to its directors and management as below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | | |
|  | | For the three-month  period ended 30 September | | For the nine-month  period ended 30 September | |
|  | | 2020 | 2019 | 2020 | 2019 |
| Short-term employee benefits | | 4,675 | 4,464 | 12,430 | 14,181 |
| Post-employment benefits | | 407 | 516 | 1,434 | 3,278 |
| Total | | 5,082 | 4,980 | 13,864 | 17,459 |

**4. Trade and other receivables**

|  | (Unit: Thousand Baht) | |
| --- | --- | --- |
|  | 30 September 2020 | 31 December 2019 |
|  |  | (Audited) |
| Trade receivables - unrelated parties |  |  |
| Aged on the basis of due dates |  |  |
| Not yet due | 232,233 | 179,582 |
| Past due |  |  |
| Up to 3 months | 29,047 | 45,686 |
| 3 - 6 months | 2,532 | - |
| 6 - 12 months | 615 | - |
| Over 12 months | 2,522 | 5,656 |
| Total | 266,949 | 230,924 |
| Less: Allowance for expected credit losses | (6,544) | (6,555) |
| Total trade receivables - unrelated parties, net | 260,405 | 224,369 |
| Other receivables |  |  |
| Loans to employees | 455 | 428 |
| Others | 60 | 24 |
| Total other receivables | 515 | 452 |
| Total trade and other receivables - net | 260,920 | 224,821 |

**5. Reduce cost of inventories to net realisable value**

Movements of the reduce cost of inventories to net realisable value account during the nine-month period ended 30 September 2020 are summarised below.

|  |  |
| --- | --- |
| (Unit: Thousand Baht) | |
| **Balance as at 1 January 2020** | 10,722 |
| Less: Reversal of reduce cost of inventories to net realisable value decreased during the period | (409) |
| **Balance as at 30 September 2020** | 10,313 |

**6. Property, plant and equipment**

Movements of the property, plant and equipment account during nine-month period ended 30 September 2020 are summarised below.

|  |  |
| --- | --- |
| (Unit: Thousand Baht) | |
| **Net book value as at 1 January 2020** | 252,469 |
| Add: Adjustments of right-of-use assets due to TFRS 16 adoption | 3,447 |
| Add: Acquisitions during the period - at cost | 12,401 |
| Less: Disposals during the period - net book value as at disposals date | (263) |
| Less: Depreciation for the period | (16,836) |
| **Net book value as at 30 September 2020** | 251,218 |

**7. Trade and other payables**

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | 30 September 2020 | 31 December 2019 |
|  |  | (Audited) |
| Trade payables - related parties | 143,771 | 99,044 |
| Trade payables - unrelated parties | 60,050 | 68,857 |
| Other payables - related parties | 589 | 557 |
| Other payables - unrelated parties | 13,733 | 9,000 |
| Accrued expenses | 42,609 | 23,437 |
| Total trade and other payables | 260,752 | 200,895 |

**8. Provision for long-term employee benefits**

Movements of the provision for long-term employee benefits account during the nine-month period ended 30 September 2020 are summarised below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | |
|  | Severance payment plan | Long service awards | Total |
|  |  |  |  |
| **Balance as at 1 January 2020** | 37,818 | 1,077 | 38,895 |
| Recognition during the period | 4,019 | 248 | 4,267 |
| Benefits paid during the period | (1,685) | - | (1,685) |
| **Balance as at 30 September 2020** | 40,152 | 1,325 | 41,477 |

**9. Income tax**

Income tax for the three-month and nine-month periods ended 30 September 2020 and 2019 are made up as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | For the three-month period ended 30 September | | For the nine-month period ended 30 September | |
|  | 2020 | 2019 | 2020 | 2019 |
| **Current income tax** |  |  |  |  |
| Interim corporate income tax charge | 4,433 | - | 11,943 | - |
| **Deferred tax** |  |  |  |  |
| Relating to origination and reversal of temporary differences | 222 | 3,236 | (970) | 3,608 |
| **Income tax expenses reported in  profit or loss** | 4,655 | 3,236 | 10,973 | 3,608 |

**10. Earnings per share**

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

**11. Dividend**

During the nine-month periods ended 30 September 2020 and 2019, the Company declared the following dividends for payment to its shareholders.

|  |  |  |  |
| --- | --- | --- | --- |
| Dividend | Approved by | Total dividends | Dividend per share |
|  |  | (Million Baht) | (Baht per share) |
| Interim dividend on the unappropriated retained earnings | Board of Directors’ Meeting on 2 April 2020 | 54.7 | 0.45 |
| Final dividend for year 2018 | Annual General Meeting of the shareholders on 24 April 2019 | 54.7 | 0.45 |

**12. Segment information**

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 profit and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment.

Geographic information

Sales and service income are based on locations of the customers for the three-month and nine-month periods ended 30 September 2020 and 2019 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (Unit: Million Baht) | | | | |
|  | For the three-month  period ended 30 September | | For the nine-month  period ended 30 September | |
|  | 2020 | 2019 | 2020 | 2019 |
| Thailand | 118 | 150 | 354 | 425 |
| Overseas | 150 | 75 | 291 | 278 |
| Total | 268 | 225 | 645 | 703 |

**13. Business Operation of foreign company**

As discussed in Note 1.1 to the financial statements, the Company’s status changed to a foreign company, and for some business segments it was necessary to apply to the Department of Business Development for a license to conduct business under Section 17 of the Foreign Business Act B.E. 2542. The terms of the foreign business license require the Company to comply with conditions such as maintain minimum capital of not less than Baht 67.5 million, in addition to the capital required under other laws, a requirement that loans for operation of the licensed business not exceed seven times of the share capital and a requirement that at least one person who is responsible for operation of the licensed business is domiciled in Thailand.

**14. Commitments and contingent liabilities**

**14.1 Capital commitments**

As at 30 September 2020, the Company had capital commitments relating to the acquisitions of building improvements, machinery and equipment totaling Baht 7 million (31 December 2019: Baht 3 million).

**14.2 Service commitments**

The Company has entered into several service agreements. The terms of the agreements are generally between 1 to 3 years. As at 30 September 2020, the Company has future minimum payments required under these service agreements amounted to Baht 1 million (31 December 2019: Baht 2 million).

**14.3 Guarantees**

As at 30 September 2020, there were outstanding bank guarantees of approximately Baht 7 million (31 December 2019: Baht 7 million) issued by a bank on behalf of the Company in respect of certain performance bonds as required in the normal course of business to guarantee 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 rates | |
|  | 30 September 2020 | 31 December 2019 | 30 September 2020 | 31 December 2019 | 30 September 2020 | 31 December 2019 |
|  | (Million) | (Million) | (Million) | (Million) | (Baht per 1 foreign currency unit) | |
| US dollar | 5.5 | 2.5 | 1.0 | 1.0 | 31.6579 | 30.1084 |
| Australian dollar | 0.5 | 1.0 | - | - | 22.5592 | 21.0131 |
| Japanese yen | - | - | 10.0 | 13.2 | 0.2999 | 0.2754 |
| Euro | - | - | 0.1 | - | 37.1548 | 33.6780 |

**16. Approval of interim financial statements**

These interim financial statements were authorised for issue by the Company’s Board of Directors on 12 November 2020.