LG Display Co., Ltd.
Form 6-K
March 04, 2011
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 UNDER

THE SECURITIES EXCHANGE ACT OF 1934

For the month of March 2011

LG Display Co., Ltd.

(Translation of Registrant s name into English)

65-228, Hangangro, 3-ga, Yongsan-gu, Seoul, 140-716, The Republic of Korea

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submission to furnish a report or other document that the registration foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant s home country), or under the rules of the home country exchange on which the registrant s securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant s security holders, and if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

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Submission of Audit Report

1. Name of external auditor : KPMG Samjong Accounting Corporation

2. Date of receiving external audit report : March 3, 2011

3. Auditor s opinion

	FY 2010	FY 2009
Audit Report on Non-consolidated Financial Statements	Unqualified	Unqualified

4. Financial Highlights of Non-consolidated Financial Statements

(Unit: KRW, K-IFRS, Non-consolidated)

Items	FY 2010	FY 2009
Total Assets	23,157,997,621,635	19,256,866,878,471
Total Liabilities	12,287,322,940,465	9,222,669,059,192
Total Shareholders Equity	10,870,674,681,170	10,034,197,819,279
Capital Stock	1,789,078,500,000	1,789,078,500,000
Revenues	25,004,257,514,317	20,119,342,525,098
Operating Income	1,024,394,434,278	976,862,612,573
Income before tax	1,052,005,021,546	990,543,744,824
Net Income	1,002,648,296,363	1,088,814,478,333

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LG DISPLAY CO., LTD.

Financial Statements

For the Years Ended December 31, 2010 and 2009

(with Independent Auditors   Report Thereon)

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

Independent Auditors Report

Based on a report originally issued in Korean

To the Board of Directors and Shareholders

LG Display Co., Ltd.:

We have audited the accompanying statements of financial position of LG Display Co., Ltd (the Company) as of December 31, 2010, 2009 and January 1, 2009, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2010 and 2009. Management is responsible for the preparation and fair presentation of these financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010, 2009 and January 1, 2009 and of its financial performance and its cash flows for the years ended December 31, 2010 and 2009, in accordance with Korean International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to the following:

As discussed in note 20 to the financial statements, the European Commission issued a decision finding that the Company engaged in anti-competitive activities in the LCD industry in violation of European competition laws and imposed a fine of EUR215 million on December 8, 2010. As of December 31, 2010, the Company is under investigations by Korea Fair Trade Commission in Korea and antitrust authorities in other counties with respect to possible anti-competitive activities in the LCD industry. In addition, the Company, along with its subsidiaries, has been named as defendants in a number of federal class actions in the United States and Canada and related individual lawsuits based on alleged antitrust violations concerning the sale of LCD panels. The Company estimated and recognized losses related to these legal proceedings. However, actual losses are subject to change in the future based on new developments in each matter, or changes in circumstances, which could be materially different from those estimated and recognized by the Company.

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

KPMG Samjong Accounting Corp.

Seoul, Korea

February 24, 2011

This report is effective as of February 24, 2011, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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LG DISPLAY CO., LTD.

Statements of Financial Position

As of December 31, 2010, 2009 and January 1, 2009

(In millions of Won)	**Note**	**December 31, 2010**	**December 31, 2009**	**January 1, 2009**
Assets				
Cash and cash equivalents	6	(Won) 889,784	704,324	1,207,786
Deposits in banks	6, 13	1,503,000	2,500,000	2,055,000
Trade accounts and notes receivable, net	7, 13, 19, 23	3,883,433	3,252,945	2,296,646
Other accounts receivable, net	7, 13	301,543	128,983	132,787
Other current financial assets	9, 13	34,828	2,737	25,238
Inventories	8	1,759,965	1,286,305	881,503
Other current assets	7	127,320	98,061	183,484
Total current assets		8,499,873	7,973,355	6,782,444
Investments	10	1,279,831	1,075,229	831,237
Other non-current financial assets	9, 13	64,020	128,432	179,668
Deferred tax assets	30	979,323	846,573	568,860
Other non-current accounts receivable	7, 13			12,757
Property, plant and equipment, net	11	11,688,061	8,730,263	8,431,214
Intangible assets, net	12	483,260	340,885	199,086
Other non-current assets	7, 13	163,630	162,130	176,127
Total non-current assets		14,658,125	11,283,512	10,398,949
Total assets		(Won) 23,157,998	19,256,867	17,181,393
Liabilities				
Trade accounts and notes payable	23	(Won) 2,986,383	2,014,909	951,975
Current financial liabilities	14	1,906,112	1,845,516	1,115,768
Other accounts payable		2,373,083	1,392,811	2,205,092
Accrued expenses		374,177	339,813	212,330
Income tax payable		104,044	120,206	265,550
Provisions		634,815	362,443	51,424
Other current liabilities	18	75,255	44,965	26,269
Total current liabilities		8,453,869	6,120,663	4,828,408
Non-current financial liabilities	14	2,470,667	1,954,547	2,646,915
Non-current provisions		8,773	5,611	10,097
Employee benefits	17	78,406	84,160	75,310
Long-term advance received		945,287	583,800	
Other non-current liabilities	18	330,321	473,888	462,816
Total non-current liabilities		3,833,454	3,102,006	3,195,138
Total liabilities		12,287,323	9,222,669	8,023,546
Equity				
Share capital	21	1,789,079	1,789,079	1,789,079
Share premium		2,251,113	2,251,113	2,251,113
Reserves	21	(7,795)	(17,366)	1,783

Retained earnings	22	6,838,278	6,011,372	5,115,872
Total equity		10,870,675	10,034,198	9,157,847
Total liabilities and equity		(Won) 23,157,998	19,256,867	17,181,393

See accompanying notes to financial statements.

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LG DISPLAY CO., LTD.

Statement of Comprehensive Income

For the years ended December 31, 2010 and 2009

(In millions of Won, except earnings per share)	Note		2010	2009
Revenue	23, 24	(Won)	25,004,257	20,119,342
Cost of sales	8, 23		(22,011,362)	(17,953,935)
Gross profit			2,992,895	2,165,407
Other income	25		967,229	1,186,700
Selling expenses	16		(484,714)	(393,771)
Administrative expenses	16		(434,825)	(279,464)
Research and development expenses			(670,912)	(407,857)
Other expenses	25		(1,345,279)	(1,294,152)
Results from operating activities			1,024,394	976,863
Finance income	28		242,917	338,530
Finance costs	28		(200,672)	(318,555)
Other non-operating loss, net			(14,634)	(6,295)
Profit before income tax			1,052,005	990,543
Income tax expense (benefit)	29		49,357	(98,271)
Profit for the period			1,002,648	1,088,814
Other comprehensive income (loss)				
Net change in fair value of available-for-sale financial assets	28		12,270	(27,012)
Net change in fair value of cash flow hedges transferred to profit or loss	28			2,534
Defined benefit plan actuarial loss	17		4,480	(18,891)
Income tax on other comprehensive income	29		(4,013)	9,814
Other comprehensive loss for the period, net of income tax			12,737	(33,555)
Total comprehensive income for the period		(Won)	1,015,385	1,055,259
Earning per share				
Basic earnings per share	31	(Won)	2,802	3,043
Diluted earnings per share	31	(Won)	2,726	3,043

See accompanying notes to financial statements.

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LG DISPLAY CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2010 and 2009

(In millions of Won)	**Note**	**Share capital**	**Share premium**	**Hedging reserve**	**Fair value reserve**	**Retained earnings**	**Total equity**
Balances at January 1, 2009		(Won) 1,789,079	2,251,113	(1,920)	3,703	5,115,872	9,157,847
Total comprehensive income for the period							
Profit						1,088,814	1,088,814
Other comprehensive income							
Net change in fair value of available-for-sale financial assets, net of tax					(21,069)		(21,069)
Net change in faur value of cash flow hedges transferred to profit or loss, net of tax				1,920			1,920
Defined benefit plan actuarial gain, net of tax						(14,406)	(14,406)
Total other comprehensive income				1,920	(21,069)	(14,406)	(33,555)
Total comprehensive income for the period		(Won)		1,920	(21,069)	1,074,408	1,055,259
Transaction with owners, recorded directly in equity							
Dividends to equity holders	22					(178,908)	(178,908)
Balances at December 31, 2009		(Won) 1,789,079	2,251,113		(17,366)	6,011,372	10,034,198
Balances at January 1, 2010		(Won) 1,789,079	2,251,113		(17,366)	6,011,372	10,034,198
Total comprehensive income for the period							
Profit for the period						1,002,648	1,002,648
Other comprehensive income							
Net change in fair value of available-for-sale financial assets, net of tax					9,571		9,571
Defined benefit plan actuarial gain, net of tax						3,166	3,166
Total other comprehensive income					9,571	3,166	12,737
Total comprehensive income for the period		(Won)			9,571	1,005,814	1,015,385
Transaction with owners, recorded directly in equity							
Dividends to equity holders	22					(178,908)	(178,908)
Balances at December 31, 2010		(Won) 1,789,079	2,251,113		(7,795)	6,838,278	10,870,675

See accompanying notes to financial statements.

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LG DISPLAY CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2010 and 2009

(In millions of Won)	Note	2010	2009
Cash flows from operating activities:			
Profit		(Won) 1,002,648	1,088,814
Adjustments for:			
Income tax expense (benefit)	29	49,357	(98,271)
Depreciation	11	2,487,743	2,569,202
Amortization of intangible assets	12	161,298	59,608
Gain on foreign currency translation		(62,443)	(147,324)
Loss on foreign currency translation		33,591	21,383
Gain on disposal of property, plant and equipment		(2,289)	(2,497)
Loss on disposal of property, plant and equipment		211	133
Gain on disposal of intangible assets			(9)
Finance income		(236,293)	(286,833)
Finance costs		153,341	225,747
Other income		(50,427)	(52,358)
Other expenses		708,493	561,979
Other non-operating loss		275	
		3,242,857	2,850,760
Change in trade accounts and notes receivable		(635,100)	(957,223)
Change in other accounts receivable		(648)	(43,786)
Change in other current assets		(21,366)	121,223
Change in inventories		(455,550)	(404,802)
Change in other non-current assets		(53,742)	(37,637)
Change in trade accounts and notes payable		978,120	1,064,543
Change in other accounts payable		26,032	(178,512)
Change in accrued expenses		29,812	122,995
Change in other current liabilities		30,134	18,494
Change in long-term advance received		379,105	695,500
Change in other non-current liabilities		8,417	7,615
Change in provisions		(290,536)	(125,817)
Change in defined benefit obligation	17	(103,575)	(82,992)
Cash generated from operating activities		4,136,608	4,139,175
Income tax paid		(202,283)	(314,971)
Interest received		109,820	171,477
Interest paid		(101,984)	(117,066)
Net cash from operating activities		(Won) 3,942,161	3,878,615

See accompanying notes to financial statements.

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LG DISPLAY CO., LTD.

Statements of Cash Flows, Continued

For the years ended December 31, 2010 and 2009

(In millions of Won)	Note	2010	2009
Cash flows from investing activities:			
Dividends received		(Won) 78,191	28,561
Proceeds from withdrawal of deposits in banks		5,400,000	3,555,000
Increase in deposits in banks		(4,403,000)	(4,000,000)
Acquisition of investments		(349,080)	(242,490)
Proceeds from disposal of investments		20,530	
Acquisition of property, plant and equipment		(4,500,591)	(3,480,068)
Proceeds from disposal of property, plant and equipment		3,735	7,602
Acquisition of intangible assets		(210,853)	(192,415)
Proceeds from disposal of intangible assets			11
Grant received		46	2,550
Proceeds from settlement of derivatives		(14,781)	50,946
Proceeds from short-term loans			12,575
Increase in short-term loans		(66,051)	
Acquisition of other current financial assets			69
Acquisition of other non-current financial assets		(46,979)	(20,913)
Proceeds from disposal of other non-current financial assets		8,375	553
Acquisition of LCD module business	33	(72,472)	
Net cash used in investing activities		(4,152,930)	(4,278,019)
Cash flows from financing activities:			
Proceeds from short-term borrowings		786,896	881,305
Repayment of short-term borrowings		(457,754)	(727,938)
Issuance of debentures		1,117,437	498,020
Redemption of debentures			(400,000)
Proceeds from long-term borrowings		445,589	323,914
Repayment of long-term borrowings		(120,000)	
Repayment of current portion of long-term debt		(1,197,031)	(500,451)
Payment of cash dividend	22	(178,908)	(178,908)
Net cash used in financing activities		396,229	(104,058)
Net decrease in cash and cash equivalents		185,460	(503,462)
Cash and cash equivalents at 1 January		704,324	1,207,786
Cash and cash equivalents at 31 December		(Won) 889,784	704,324

See accompanying notes to financial statements.

LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

1. Organization and Description of Business

LG Display Co., Ltd. (the Company) was incorporated in February 1985 under its original name of LG Soft, Ltd. as a wholly owned subsidiary of LG Electronics Inc. In 1998, LG Electronics Inc. and LG Semicon Co., Ltd. transferred their respective Thin Film Transistor-Liquid Crystal Display (TFT-LCD) related business to the Company. The main business of the Company is to manufacture and sell TFT-LCD panels. The Company is a stock company (Jusikhoesa) domiciled in the Republic of Korea with its address at 65-228, Hangang-ro 3-ga, Yongsan-gu, Seoul, the Republic of Korea, to which the Company moved in September 2010. In July 1999, LG Electronics Inc. and Koninklijke Philips Electronics N.V. (Philips) entered into a joint venture agreement. Pursuant to the agreement, the Company changed its name to LG.Philips LCD Co., Ltd. However, on February 29, 2008, the Company changed its name to LG Display Co., Ltd. based upon the approval of shareholders at the general shareholders meeting on the same date as a result of the decrease in Philips s share interest in the Company and the possibility of its business expansion to Organic Light Emitting Diode (OLED) and Flexible Display products. As of December 31, 2010, LG Electronics Inc. owns 37.9% (135,625 thousand shares) of the Company s common shares.

As of December 31, 2010, the Company has its TFT-LCD manufacturing plant, OLED manufacturing plants and LCD Research & Development Center in Paju and TFT-LCD manufacturing plants and OLED manufacturing plant in Gumi. The Company has overseas subsidiaries located in the United States of America, Europe and Asia.

The Company s common stock is listed on the Korea Exchange under the identifying code 034220. As of December 31, 2010, 357,815,700 shares of common stock were outstanding. The Company s common stock is also listed on the New York Stock Exchange in the form of American Depository Shares (ADSs) under the symbol LPL. One ADS represents one-half of one share of common stock. As of December 31, 2010, 35,763,650 ADSs are outstanding.

2. Basis of Presenting Financial Statements

(a) Statement of Compliance

The financial statements have been prepared in accordance with Korean International Financial Reporting Standards (K-IFRSs). The Company determined to adopt the K-IFRSs for annual periods beginning on January 1, 2010. The Company s transition date to K-IFRSs from its previous GAAP (generally accepted accounting principles) is January 1, 2009.

These are the Company s first financial statements prepared in accordance with K-IFRS 1101 *First-time adoption of Korea International Financial Reporting Standards* has been applied. An explanation of how the transition to K-IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 34.

When the financial statements are prepared, investments in subsidiaries, jointly controlled entities and associated are accounted for at deemed cost under K-IFRS 1101 or acquisition cost, not based on the investee s financial performance and net assets in accordance with K-IFRS 1027.

The financial statements were authorized for issue by the Board of Directors on January 21, 2011.

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

2. Basis of Presenting Financial Statements, Continued

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments measured at fair value
- financial instruments at fair value through profit or loss measured at fair value
- available-for-sale financial assets measured at fair value
- liabilities for cash-settled share-based payment arrangements measured at fair value; and
- liabilities for defined benefit plans recognized at the net total of present value of defined benefit obligation less the fair value of plan assets

(c) Functional and Presentation Currency

The financial statements are presented in Korean Won, which is the Company s functional currency. All amounts in Korean Won are in millions unless otherwise stated.

(d) Use of Estimates and Judgments

The preparation of the financial statements in conformity with K-IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Classification of financial instruments (note 3.(c))

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next 12 months is included in the following notes:

- Recognition and measurement of provision (note 3.(i))
- Measurement of defined benefit obligations (note 17)
- Utilization of tax credit carryforwards (note 30)

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

3. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in preparation of its financial statements are as follows:

(a) Foreign Currency Transactions and Translation

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on available-for-sale equity instruments and a financial asset and liability designated as a cash flow hedge, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or previous financial statements shall be recognized in profit or loss in the period in which they arise.

(b) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-process, cost includes an appropriate share of production overheads based on the actual capacity of production facilities. However, the normal capacity is used for allocation of fixed production overhead if the actual level of production is lower than the normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling expenses.

(c) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date they are originated. All other financial assets, including financial assets at fair value through profit or loss, are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset and recognizes a financial liability for the consideration received. In subsequent periods, the Company recognizes any income on the transferred assets and any expense incurred on the financial liability.

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

3. Summary of Significant Accounting Policies, Continued

(c) Financial Instruments, Continued
(i) Non-derivative financial assets, Continued

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables and available-for-sales financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. If a contract contains one or more embedded derivatives, the Company designates the entire hybrid (combined) contract as a financial asset at fair value through profit or loss unless: the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Held-to-maturity financial assets

If the Company has non-derivative debt securities with fixed or determinable payments and fixed maturity and the Company has the positive intention and ability to hold to maturity, then such financial assets are classified as held-to-maturity. When held-to-maturity financial assets are recognized initially, the Company measures it at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than an insignificant amount of held-to-maturity investment not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying any financial assets as held-to-maturity for the current and the following two financial years.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash. They are stated at face value, which approximates fair value.

Deposits in banks

Deposits in banks are those with maturity of more than three months and less than one year and are held for cash management purposes.

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

3. Summary of Significant Accounting Policies, Continued

(c) Financial Instruments, Continued

(i) Non-derivative financial assets, Continued

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. When loans and receivables are recognized initially, the Company measures it at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade accounts and notes receivable and other accounts receivable.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or that are not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets or loans and receivables. The Company s investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and whose derivatives are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. The Company classifies liabilities into two categories in accordance with the substance of the contractual arrangement and the definitions of a financial liability: financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition at fair value through profit or loss. After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred. As of December 31, 2010, financial liabilities at fair value through profit or loss of the Company consist of convertible bonds.

Non-derivative financial liabilities other than financial liabilities classified as fair value through profit or loss are classified as other financial liabilities and measured initially at fair value minus transaction costs that are directly attributable to the issue. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. As of December 31, 2010, non-derivative financial liabilities comprise borrowings, bonds and others.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

3. Summary of Significant Accounting Policies, Continued

(c) Financial Instruments, Continued

(iii) Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of tax effects. Capital contributed in excess of par value upon issuance of common stocks is classified as share premium within equity.

(iv) Derivative financial instruments, including hedge accounting

The Company holds forward exchange contract, interest rate swap, currency swap and other derivative contracts to manage interest rate risk and foreign exchange risk. Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss except in the case where the derivatives are designated as cash flow hedge and the hedge is determined to be an effective hedge.

The Company designated derivatives as hedging items to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecast transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Company s management formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company s management makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognized. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss. In other cases the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

3. Summary of Significant Accounting Policies, Continued

(c) Financial Instruments, Continued

(iv) Derivative financial instruments, including hedge accounting, Continued

Embedded derivative

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(d) Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes an expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and recognized in other income and expenses.

(ii) Subsequent costs

Subsequent expenditure on an item of property, plant and equipment is recognized as part of its cost only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis method, reflecting the pattern in which the asset s future economic benefits are expected to be consumed by the Company. The residual value of property, plant and equipment is zero. Land is not depreciated.

Estimated useful lives of the assets are as follows:

	Useful lives (years)
Buildings and structures	20, 40
Machinery	4
Furniture and fixtures	4
Equipment, tools, vehicle	4, 12

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The changes are accounted for as changes in accounting estimates.

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

3. Summary of Significant Accounting Policies, Continued

(e) Borrowing Costs

The Company capitalizes borrowing costs, which includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs, directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. The Company immediately recognizes other borrowing costs as an expense.

(f) Government Grants

In case there is reasonable assurance that the Company will comply with the conditions attached to a government grant, the government grant is recognized as follows:

(i) Grants related to the purchase or construction of assets

A government grant related to the purchase or construction of assets is deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

(ii) Grants for compensating the Company s expenses incurred

Grants that compensate the Company for expenses incurred are recognized in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognized.

(iii) Other government grants

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized as income of the period in which it becomes receivable.

(g) Intangible Assets

Intangible assets are initially measured at cost. Subsequently, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

(i) Goodwill

Goodwill arising upon the business combinations is recognized at the excess of the acquisition cost of investments in subsidiaries, associates and joint ventures over the Company s share of the net fair value of the identifiable assets acquired and liabilities assumed. Any deficit is a bargain purchase that is recognized in profit or loss. Goodwill is measured at cost less accumulated impairment losses.

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

3. Summary of Significant Accounting Policies, Continued

(g) Intangible Assets, Continued

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design of the production of new or substantially improved products and processes. Development expenditure is capitalized only if the Company can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- its intention to complete the intangible asset and use or sell it,
- its ability to use or sell the intangible asset,
- how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The expenditure capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets.

(iii) Other intangible assets

Other intangible assets include intellectual property rights, software, customer relationship, technology, membership and others.

(iv) Subsequent costs

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific intangible asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

3. Summary of Significant Accounting Policies, Continued

(g) Intangible Assets, Continued

(v) Amortization

Amortization is calculated on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which country club membership and golf club membership are expected to be available for use, these intangible assets are regarded as having indefinite useful lives and not amortized.

	Estimated useful lives (years)
Intellectual property rights	5, 10
Rights to use electricity, water and gas supply facilities	10
Software	4
Customer relationship	7
Technology	10
Development costs	(*)
Condominium and golf club membership	Not amortized

(*) Capitalized development costs are amortized over the useful life considering the life cycle of the developed products.

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at each financial year-end. The useful lives of intangible assets that are not being amortized are reviewed each period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. If appropriate, the changes are accounted for as changes in accounting estimates.

(h) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency in interest or principal payments by an issuer or a debtor, for economic reasons relating to the borrower s financial difficulty, granting to the borrower a concession that the Company would not otherwise consider, or the disappearance of an active market for that financial asset. In addition, for an investment in an equity security, objective evidence of impairment includes significant financial difficulty of the issuer and a significant or prolonged decline in its fair value below its cost.

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

3. Summary of Significant Accounting Policies, Continued

(h) Impairment, Continued

(i) Financial assets, Continued

The Company s management considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

If there is objective evidence that an impairment loss has been incurred on financial assets carried at amortized cost or cost, the amount of the impairment loss is measured as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset s original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables.

The amount of the impairment loss on financial assets including equity securities carried at cost is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income, the amount of the cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

In a subsequent period, for the financial assets recorded at fair value, if the fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed. The amount of the reversal in financial assets carried at amortized cost and a debt instrument classified as available for sale is recognized in profit or loss. However, impairment loss recognized for an investment in an equity instrument classified as available-for-sale is reversed through other comprehensive income.

LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

3. Summary of Significant Accounting Policies, Continued

(h) Impairment, Continued

(ii) Non-financial assets

The carrying amounts of the Company s non-financial assets, other than assets arising from employee benefits, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset s recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit , or CGU). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is based on the best information available to reflect the amount that the Company could obtain from the disposal of the asset in an arm s length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

The Company s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

3. Summary of Significant Accounting Policies, Continued

(i) Provision

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The risks and uncertainties that inevitably surround events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows. The unwinding of the discount is recognized as finance cost.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Company recognizes a liability for warranty obligations based on the estimated costs expected to be incurred under its basic limited warranty. This warranty covers defective products and is normally applicable for eighteen months from the date of purchase. These liabilities are accrued when product revenues are recognized. Warranty costs primarily include raw materials and labor costs. Factors that affect the Company s warranty liability include historical and anticipated rate of warranty claims on those repairs and cost per claim to satisfy the Company s warranty obligation. As these factors are impacted by actual experience and future expectations, management periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. Accrued warranty obligations are included in the current and non-current provisions.

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(j) Employee Benefits

(i) Short-term employee benefit

Short-term employee benefits that are due to be settled within twelve months after the end of the period in which the employees render the related service are recognized in profit or loss on an undiscounted basis. The expected cost of profit-sharing and bonus plans are recognized when the Company has a present legal or constructive obligation to make payments as a result of past events and a reliable estimate of the obligation can be made.

(ii) Other long-term employee benefit

The Company s net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

3. Summary of Significant Accounting Policies, Continued

(j) Employee Benefits, Continued

(iii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(iv) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than defined contribution plans. The Company s net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

The calculation is performed annually by an independent actuary using the projected unit credit method. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Company s obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Company recognizes all actuarial gains and losses arising from defined benefit plans in retained earnings immediately.

In measuring the defined benefit liability, the Company recognizes past service cost immediately when the benefits are vested immediately following the introduction of a defined benefit plan.

(v) Share-based payment transactions

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally becomes entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

(k) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates and other cash incentives paid to customers. Revenue is recognized when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the buyer, generally on delivery and acceptance at the customers premises, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue when sales are recognized. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the statements of comprehensive income.

LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

3. Summary of Significant Accounting Policies, Continued

(l) Operating Segments

In accordance with K-IFRS 1108, entity wide disclosures of geographic and product revenue information are provided in the consolidated financial statements, not in these financial statements.

(m) Finance Income and Finance Costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company s right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

Foreign exchange gains and losses arising from monetary assets and liabilities denominated in currencies other than functional currencies are presented separately when they are related to investing and financing activities.

(n) Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

3. Summary of Significant Accounting Policies, Continued

(n) Income Tax, Continued

(ii) Deferred tax

Deferred tax is recognized, using the liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. However, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. A deferred tax asset is recognized for all deductible temporary differences to the extent that, it is probable that the differences relating to investments in subsidiaries, associates and jointly controlled entities will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

An entity offsets deferred tax assets and deferred tax liabilities if, and only if, the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same authority.

(o) Earnings Per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible bonds.

(p) Business Combination

The business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

3. Summary of Significant Accounting Policies, Continued

(p) Business Combination, Continued

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(q) New Standards and Interpretations Not Yet Adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company beginning on or after January 1, 2011, but the Company has not early adopted them. Management is in the process of evaluating the impact, if any, of applying these standards and interpretations on its financial position and results of operations.

(i) K-IFRS No. 1109, *Financial Instruments*

This standard introduces certain new requirements for classifying and measuring financial assets. K-IFRS No. 1109 divides all financial assets that are currently in the scope of K-IFRS No. 1039 into two classifications, those measured at amortized cost and those measured at fair value. The standard along with proposed expansion of K-IFRS No. 1109 for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment, and hedge accounting will be applicable from the year 2013, although entities are permitted to adopt earlier. The Company is evaluating the impact that this new standard will have on the Company s financial statements.

(ii) Revised K-IFRS No. 1024, *Related Parties Disclosures*

The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The Company will apply K-IFRS No. 1024 (revised) retrospectively from January 1, 2011. The Company is evaluating the impact that this new standard will have on the Company s financial statements, if any.

4. Determination of Fair Value

A number of the Company s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Current Assets and Liabilities

The carrying amounts approximate fair value because of the short maturity of these instruments.

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

4. Determination of Fair Value, Continued

(b) Trade Receivables and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes. The carrying amounts of short-term receivables approximate fair value.

(c) Investments in Equity and Debt Securities

The fair value of financial assets at fair value through profit or loss (FVTPL) and available-for-sale financial assets in market is determined by reference to their quoted closing bid price at the reporting date. The fair value of non-marketable securities is determined using valuation methods.

(d) Derivatives

For forward contracts, if a listed market price is not available, fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is estimated by discounting estimated future cash flows based on the terms and maturity of each contract by LIBOR and forward interest rates for the same terms at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparty when appropriate.

(e) Non-derivative Financial Liabilities

The fair value of financial liabilities at FVTPL is determined by reference to their quoted closing price at the reporting date. Fair value, which is determined for disclosure purposes, except for the liabilities at FVTPL, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(f) Share-based Payment Transactions

The fair value of the employee share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(g) Assets Acquired in a Business Combination

(i) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

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LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

4. Determination of Fair Value, Continued

(g) Assets Acquired in a Business Combination, Continued

(ii) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values.

(iii) Intangible assets

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of technology acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned.

5. Risk Management

(a) Financial Risk Management

The Company is exposed to credit risk, liquidity risk and market risks. The Company identifies and analyzes such risks, and controls are implemented under a risk management system to monitor and manage these risks at below a threshold level.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company s receivables from customers.

The Company s exposure to credit risk of trade and other receivables is influenced mainly by the individual characteristics of each customer. However, management considers the demographics of the Company s customer base, including the default risk of the country in which customers operate, do not have a significant influence on credit risk since majority of the customers are global electronic appliance manufacturers operating in global markets.

The Company establishes credit limits for each customer and each new customer is analysed quantitatively and qualitatively before determining whether to utilize third party guarantees, insurance or factoring as appropriate.

The Company does not establish allowances for receivables under insurance and receivables from customers with a high credit rating. For the rest of the receivables, the Company establishes an allowance for impairment of trade and other receivables that have been individually or collectively evaluated for impairment and estimated on the basis of historical loss experience for assets.

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LG DISPLAY CO., LTD.

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For the years ended December 31, 2010 and 2009

5. Risk Management, Continued

(a) Financial Risk Management, Continued

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company s reputation.

The Company has historically been able to satisfy its cash requirements from cash flow from operations and debt and equity financing. To the extent that the Company does not generate sufficient cash flow from operations to meet its capital requirements, the Company may rely on other financing activities, such as external long-term borrowings and offerings of debt securities, equity-linked and other debt securities. In addition, the Company maintains a line of credit with various banks.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company, Korean Won (KRW). The currencies in which these transactions primarily are denominated are USD and JPY.

The Company uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily KRW, USD and JPY.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. In relation to the currency fluctuation, the Company adopts policies to adjust factoring volumes of foreign currency denominated receivables or utilizing usance as a mean to settle payables for the facilities.

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For the years ended December 31, 2010 and 2009

5. Risk Management, Continued

(a) Financial Risk Management, Continued

(iii) Market risk, Continued

Interest rate risk

Interest rate risk arises principally from the Company s debentures and borrowings. The Company used to hedge the interest rate risk by entering interest swap contracts. The Company does not have any interest swap contract as of December 31, 2010. The fair value of interest rate swap as of December 31, 2009 is as follows:

(In millions of Won)

Type	2009
Loss on valuation of interest rate swap, net	(Won) 3,698
Financial liabilities, net	3,698

(b) Capital Management

Management s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management also monitors the level of dividends to ordinary shareholders.

(In millions of Won)

	December 31, 2010	December 31, 2009
Total liabilities	(Won) 12,287,323	9,222,669
Total equity	10,870,675	10,034,198
Cash and deposits in banks (*)	2,392,784	3,204,324
Borrowings	4,375,823	3,796,302
Liability to equity ratio	113%	92%
Net borrowing to equity ratio	18%	6%

(*) Cash and deposits in banks consists of cash and cash equivalents and deposit in banks.

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Notes to Financial Statements

For the years ended December 31, 2010 and 2009

6. Cash and Cash Equivalents and Deposits in Banks

Cash and cash equivalents and deposits in banks at the reporting date are as follows:

(In millions of Won)

	December 31, 2010	December 31, 2009	January 1, 2009
Current assets			
Cash and cash equivalents			
Demand deposits	(Won) 889,784	704,324	1,207,786
Deposits in banks			
Time deposits	(Won) 1,500,000	2,500,000	2,055,000
Restricted cash	3,000		
	1,503,000	2,500,000	2,055,000

7. Receivables and Other Current Assets

(a) The Company s trade accounts and notes receivable at the reporting date are as follows:

(In millions of Won)

	December 31, 2010	December 31, 2009	January 1, 2009
Trade, net	(Won) 95,642	267,083	887,447
Due from related parties	3,787,791	2,985,862	1,409,199
	(Won) 3,883,433	3,252,945	2,296,646

There is no amount of trade accounts and notes receivable sold to financial institutions, but current and outstanding, as of December 31, 2010 and 2009. For the years ended December 31, 2010 and 2009, the Company recognized (Won)358 million and (Won)182 million, respectively, as loss on disposal of trade accounts and notes receivable.

LG DISPLAY CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

7. Receivables and Other Current Assets, Continued

(b) The Company s other accounts receivable at the reporting date is as follows:

(In millions of Won)

	December 31, 2010	December 31, 2009	January 1, 2009
Current assets			
Non-trade accounts receivable	(Won) 209,889	81,413	41,570
Accrued income	24,459	47,570	91,217
Short-term loans	67,195		
	(Won) 301,543	128,983	132,787
Non-current assets			
Long-term loans	(Won)		12,575
Long-term other accounts receivable			182
	(Won)		12,757

Due from related parties included in other accounts receivable, as of December 31, 2010, 2009 and January 1, 2009, is (Won)78,511 million, (Won)15,224 million and (Won)20,283 million, respectively.

(c) The Company s other assets at the reporting date are as follows:

(In millions of Won)

	December 31, 2010	December 31, 2009	January 1, 2009
Current assets			
Advance payments	(Won) 5,905	11,187	250
Prepaid expenses	39,532	41,424	37,372
Value added tax refundable	81,883	45,450	145,862
	(Won) 127,320	98,061	183,484
Non-current assets			
Long-term prepaid expenses	(Won) 163,630	162,130	176,127

8. Inventories

Inventories at the reporting date are as follows:

(In millions of Won)

	December 31, 2010	December 31, 2009	January 1, 2009
Finished goods	(Won) 630,374	385,518	286,207
Work-in-process	606,486	544,071	358,091
Raw materials	364,160	228,631	168,188
Supplies	158,945	128,085	69,017
	(Won) 1,759,965	1,286,305	881,503

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8. Inventories, Continued

The amount of the inventories recognized as cost (cost of sales) and valuation loss on inventories as cost of sales are as follows:

(In millions of Won)

	December 31, 2010	December 31, 2009
Inventories recognized as cost (cost of sales)	(Won) 22,011,362	17,953,935
Valuation loss (reversal) on inventories as cost of sales	56,241	(48,398)

9. Other Financial Assets

(a) Other financial assets at the reporting date are as follows:

(In millions of Won)

	December 31, 2010	December 31, 2009	January 1, 2009
Current assets			
Deposits	(Won) 25,574		590
Available-for-sale financial assets			74
Derivatives not used for hedging	9,254	2,737	24,574
	(Won) 34,828	2,737	25,238
Non-current assets			
Guarantee deposits with banks	(Won) 13	13	13
Financial assets at fair value through profit or loss	8,927	9,227	
Available-for-sale financial assets	38,132	104,389	126,455
Deposits	16,948	14,803	13,551
Derivatives not used for hedging			39,649
	(Won) 64,020	128,432	179,668

(b) Financial assets at fair value through profit or loss at the reporting date are as follows:

(In millions of Won)

	December 31, 2010	December 31, 2009	January 1, 2009
Everlight Electronics Co. Ltd.			
Acquisition cost	(Won) 7,628	7,628	

Fair value	8,927	9,227

The financial assets at fair value through profit or loss are debt securities with embedded derivatives that otherwise would have been classified as available-for-sale.

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For the years ended December 31, 2010 and 2009

9. Financial Assets, Continued

(c) Available-for-sale financial assets at the reporting date are as follows:

(In millions of Won)

	December 31, 2010	December 31, 2009	January 1, 2009
Current assets			
Debt securities			
Government bonds	(Won)		