

**PADAENG INDUSTRY PUBLIC COMPANY LIMITED**

**CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS**

**31 DECEMBER 2005**

## **AUDITOR'S REPORT**

To the Shareholders and the Board of Directors of Padaeng Industry Public Company Limited

I have audited the accompanying consolidated and company balance sheets of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited as at 31 December 2005 and the related consolidated and company statements of income, changes in shareholders' equity and cash flows for the year ended 31 December 2005. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to issue a report on these financial statements based on my audit. The consolidated and company financial statements for the year ended 31 December 2004 of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited, were audited in accordance with generally accepted auditing standards by another auditor in the same firm as myself whose report dated 4 February 2005, expressed an unqualified opinion on those statements.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an 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. I believe that my audit provide a reasonable basis for my opinion.

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position as at 31 December 2005 and the consolidated and company results of operations, and cash flows for the years then ended of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited in accordance with generally accepted accounting principles.

**NATTAPORN PHAN-UDOM**  
Certified Public Accountant  
(Thailand) No. 3430  
PricewaterhouseCoopers ABAS Limited

Bangkok  
23 February 2006

**Padaeng Industry Public Company Limited and Subsidiaries**  
**Balance Sheets**  
**As at 31 December 2005 and 2004**

	Notes	Consolidated		Company	
		2005 Baht	Restated 2004 Baht	2005 Baht	Restated 2004 Baht
<b>Assets</b>					
<u>Current assets</u>					
Cash and cash equivalents	3	600,395,622	441,677,104	568,843,310	325,879,711
Deposit	4	121,314,837	-	121,314,837	-
Trade accounts receivable-net					
- other parties	5	241,744,163	235,095,679	235,211,850	228,096,854
- related parties	27(iv)	51,345,585	22,578,804	54,143,601	23,168,198
Short-term loans and advances to related parties-net	27(v)	-	-	1,848,263	10,934,667
Inventories-net	6	1,528,612,615	1,307,118,547	1,528,612,615	1,307,060,824
Value Added Tax receivable		49,265,663	95,302,256	46,152,125	95,271,095
Other current assets	7	18,373,230	86,148,573	17,860,532	85,873,927
<b>Total current assets</b>		<b>2,611,051,715</b>	<b>2,187,920,963</b>	<b>2,573,987,133</b>	<b>2,076,285,276</b>
<u>Non-current assets</u>					
Investment in subsidiaries-net	8, 27(i)	-	-	361,933,979	358,934,364
Property, plant and equipment-net	9	2,248,200,005	2,427,094,495	2,251,245,733	2,429,905,770
Exploration and acquisition costs	10	306,219,748	277,032,327	100,130,543	113,114,836
Other non-current assets	11	6,057,527	12,983,853	6,002,527	12,928,853
<b>Total non-current assets</b>		<b>2,560,477,280</b>	<b>2,717,110,675</b>	<b>2,719,312,782</b>	<b>2,914,883,823</b>
<b>Total assets</b>		<b>5,171,528,995</b>	<b>4,905,031,638</b>	<b>5,293,299,915</b>	<b>4,991,169,099</b>

Director.....

Director.....

The notes to the consolidated and company financial statements on pages 9 to 33 are integral part of these financial statements.

**Padaeng Industry Public Company Limited and Subsidiaries**  
**Balance Sheets**  
**As at 31 December 2005 and 2004**

	Notes	Consolidated		Company	
		2005 Baht	Restated 2004 Baht	2005 Baht	Restated 2004 Baht
<b>Liabilities and shareholders' equity</b>					
<u>Current liabilities</u>					
Loans from financial institutions	12	175,719,606	283,819,241	175,719,606	283,819,241
Trade accounts payable					
- other parties		223,154,352	412,997,555	222,610,236	412,984,821
- related parties	27(iv)	5,964,825	813,981	6,028,377	923,691
Current portion of payable for land use compensation	14	-	11,061,405	-	11,061,405
Current portion of long-term loans	15	467,500,000	102,500,000	467,500,000	102,500,000
Current portion of hire purchase payable		1,919,873	1,893,022	1,919,873	1,893,022
Advance from related party	27(vi)	2,951,967	-	-	-
Short-term loans from related parties	27(vii)	-	-	180,000,000	90,000,000
Accrued interest expenses					
- other parties		1,187,096	1,864,844	1,187,096	1,864,844
- related parties	27(vii)	-	-	166,438	157,808
Accrued electricity expenses		160,437,037	186,941,582	160,437,037	186,941,582
Royalty payable		177,847,780	122,108,581	177,847,780	122,108,581
Other current liabilities	13	252,014,186	145,142,433	244,099,250	135,879,514
<b>Total current liabilities</b>		<b>1,468,696,722</b>	<b>1,269,142,644</b>	<b>1,637,515,693</b>	<b>1,350,134,509</b>
<u>Non-current liabilities</u>					
Long-term loans	15	80,000,000	547,500,000	80,000,000	547,500,000
Provisions for restoration expense	16	42,257,061	21,543,364	40,748,738	21,543,364
Provision for employee termination/retirement benefits	17	60,804,526	57,814,474	60,804,526	57,814,474
Others non-current liabilities		3,095,445	6,546,437	3,095,445	6,546,437
<b>Total non-current liabilities</b>		<b>186,157,032</b>	<b>633,404,275</b>	<b>184,648,709</b>	<b>633,404,275</b>
<b>Total liabilities</b>		<b>1,654,853,754</b>	<b>1,902,546,919</b>	<b>1,822,164,402</b>	<b>1,983,538,784</b>
<u>Shareholders' equity</u>					
Share capital					
Authorized share capital					
226,000,000 ordinary shares of Baht 10 each	18	2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Issued and paid-up share capital					
226,000,000 ordinary shares of Baht 10 each, fully paid		2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Premium on share capital		602,413,600	602,413,600	602,413,600	602,413,600
Retained earnings (deficit)					
Appropriated-legal reserve	19	37,486,820	9,791,560	37,486,820	9,791,560
Unappropriated retained earnings (deficit)		569,685,839	126,436,817	571,235,093	135,425,155
<b>Total Company shareholders' equity</b>		<b>3,469,586,259</b>	<b>2,998,641,977</b>	<b>3,471,135,513</b>	<b>3,007,630,315</b>
Minority interest		47,088,982	3,842,742	-	-
<b>Total shareholders' equity</b>		<b>3,516,675,241</b>	<b>3,002,484,719</b>	<b>3,471,135,513</b>	<b>3,007,630,315</b>
<b>Total liabilities and shareholders' equity</b>		<b>5,171,528,995</b>	<b>4,905,031,638</b>	<b>5,293,299,915</b>	<b>4,991,169,099</b>

The notes to the consolidated and company financial statements on pages 9 to 33 are integral part of these financial statements.

**Padaeng Industry Public Company Limited and Subsidiaries**  
**Statements of Income**  
**For the years ended 31 December 2005 and 2004**

	Notes	Consolidated		Company	
		2005 Baht	Restated 2004 Baht	2005 Baht	Restated 2004 Baht
Revenues from sales and services	29	6,150,696,571	5,673,841,586	6,138,518,881	5,663,727,552
Cost of sales and services		(4,853,391,642)	(4,904,783,584)	(4,849,355,713)	(4,900,113,919)
<b>Gross profit</b>		<b>1,297,304,929</b>	<b>769,058,002</b>	<b>1,289,163,168</b>	<b>763,613,633</b>
Selling and administrative expenses	20	(499,040,318)	(366,323,475)	(501,696,002)	(358,879,842)
Royalty expenses		(226,449,236)	(166,579,883)	(226,449,236)	(166,579,883)
<b>Profit from sales and services</b>		<b>571,815,375</b>	<b>236,154,644</b>	<b>561,017,930</b>	<b>238,153,908</b>
Other revenues		17,401,202	18,854,234	15,682,629	15,808,313
Gain (loss) on exchange rate		1,525,217	18,252,913	1,443,449	18,296,547
Inventory revaluation gain	6	-	207,492	-	207,492
Impairment expenses	9,20	(5,581,400)	(21,218,479)	(5,581,400)	(21,218,479)
Directors' remuneration		(4,522,063)	(3,593,913)	(4,522,063)	(3,593,913)
Other expenses		(386,990)	(447,831)	(386,990)	(447,831)
<b>Profit from operations</b>		<b>580,251,341</b>	<b>248,209,060</b>	<b>567,653,555</b>	<b>247,206,037</b>
Share of gain (loss) from subsidiaries on equity method	8	-	-	2,926,173	1,840,717
<b>Profit before finance costs and income tax</b>		<b>580,251,341</b>	<b>248,209,060</b>	<b>570,579,728</b>	<b>249,046,754</b>
Finance costs-net	22	(16,256,469)	(26,525,533)	(16,674,530)	(27,417,205)
Income tax		(1,576,065)	(3,672,852)	-	-
<b>Profit before minorities</b>		<b>562,418,807</b>	<b>218,010,675</b>	<b>553,905,198</b>	<b>221,629,549</b>
(Profit) attributable to minorities		(1,074,525)	(983,984)	-	-
<b>Net profit for the year</b>		<b>561,344,282</b>	<b>217,026,691</b>	<b>553,905,198</b>	<b>221,629,549</b>
<b>Earnings per share</b>					
Net profit for the year	23	2.48	0.96	2.45	0.98

The notes to the consolidated and company financial statements on pages 9 to 33 are integral part of these financial statements.

**Padaeng Industry Public Company Limited and Subsidiaries**  
**Statements of changes in shareholders' equity**  
**For the years ended 31 December 2005 and 2004**

<b>Consolidated</b>						
<b>Notes</b>	<b>Issued and paid up share capital</b>	<b>Premium on share capital</b>	<b>Retained earnings (deficit)</b>		<b>Minority interest</b>	<b>Total Baht</b>
	<b>Baht</b>	<b>Baht</b>	<b>Appropriated legal reserve</b>	<b>Unappropriated</b>	<b>Baht</b>	
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Beginning balance 2005</b>	2,260,000,000	602,413,600	9,791,560	177,051,291	3,842,742	3,053,099,193
Retrospective adjustments	-	-	-	(50,614,474)	-	(50,614,474)
Beginning balance after correction	2,260,000,000	602,413,600	9,791,560	126,436,817	3,842,742	3,002,484,719
Appropriated legal reserve	-	-	27,695,260	(27,695,260)	-	-
Increase in share capital	-	-	-	-	42,171,715	42,171,715
Net profit	-	-	-	561,344,282	1,074,525	562,418,807
Dividends paid	-	-	-	(90,400,000)	-	(90,400,000)
<b>Ending balance 2005</b>	<b>2,260,000,000</b>	<b>602,413,600</b>	<b>37,486,820</b>	<b>569,685,839</b>	<b>47,088,982</b>	<b>3,516,675,241</b>
<b>Consolidated</b>						
	<b>Issued and paid up share capital</b>	<b>Premium on share capital</b>	<b>Retained earnings (deficit)</b>		<b>Minority interest</b>	<b>Total Baht</b>
	<b>Baht</b>	<b>Baht</b>	<b>Appropriated legal reserve</b>	<b>Unappropriated</b>	<b>Baht</b>	
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Beginning balance 2004</b>	2,260,000,000	602,413,600	-	(30,183,840)	2,858,758	2,835,088,518
Retrospective adjustments	-	-	-	(50,614,474)	-	(50,614,474)
Beginning balance after correction	2,260,000,000	602,413,600	-	(80,798,314)	2,858,758	2,784,474,044
Appropriated legal reserve	-	-	9,791,560	(9,791,560)	-	-
Net profit	-	-	-	217,026,691	983,984	218,010,675
<b>Ending balance 2004 (Restated)</b>	<b>2,260,000,000</b>	<b>602,413,600</b>	<b>9,791,560</b>	<b>126,436,817</b>	<b>3,842,742</b>	<b>3,002,484,719</b>

The notes to the consolidated and company financial statements on pages 9 to 33 are integral part of these financial statements.

**Padaeng Industry Public Company Limited and Subsidiaries**  
**Statements of changes in shareholders' equity (Cont'd)**  
**For the years ended 31 December 2005 and 2004**

	Notes	Company					Total Baht
		Issued and paid up share capital Baht	Premium on share capital Baht	Retained earnings (deficit)		Minority interest Baht	
				Appropriated legal reserve Baht	Unappropriated Baht		
<b>Beginning balance 2005</b>		2,260,000,000	602,413,600	9,791,560	186,039,629	-	3,058,244,789
Retrospective adjustments	17	-	-	-	(50,614,474)	-	(50,614,474)
Beginning balance after correction		2,260,000,000	602,413,600	9,791,560	135,425,155	-	3,007,630,315
Appropriated legal reserve	19	-	-	27,695,260	(27,695,260)	-	-
Net profit		-	-	-	553,905,198	-	553,905,198
Dividends paid		-	-	-	(90,400,000)	-	(90,400,000)
<b>Ending balance 2005</b>		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>37,486,820</u>	<u>571,235,093</u>	<u>-</u>	<u>3,471,135,513</u>
<b>Company</b>							
	Notes	Issued and paid up share capital Baht	Premium on share capital Baht	Retained earnings (deficit)		Minority interest Baht	Total Baht
				Appropriated legal reserve Baht	Unappropriated Baht		
		<b>Beginning balance 2004</b>		2,260,000,000	602,413,600	-	(25,798,360)
Retrospective adjustments	17	-	-	-	(50,614,474)	-	(50,614,474)
Beginning balance after correction		2,260,000,000	602,413,600	-	(76,412,834)	-	2,786,000,766
Appropriated legal reserve	19	-	-	9,791,560	(9,791,560)	-	-
Net profit		-	-	-	221,629,549	-	221,629,549
<b>Ending balance 2004 (Restated)</b>		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>9,791,560</u>	<u>135,425,155</u>	<u>-</u>	<u>3,007,630,315</u>

The notes to the consolidated and company financial statements on pages 9 to 33 are integral part of these financial statements.

**Padaeng Industry Public Company Limited and Subsidiaries**  
**Statements of Cash Flows**  
**For the years ended 31 December 2005 and 2004**

	Notes	Consolidated		Company	
		2005 Baht	Restated 2004 Baht	2005 Baht	Restated 2004 Baht
<b>Cash flows from operating activities</b>					
Net profit		561,344,282	217,026,691	553,905,198	221,629,549
<u>Items to reconcile net income to net cash:</u>					
Share of (gain) loss from subsidiaries	8	-	-	(2,926,173)	(1,840,717)
Allowance for doubtful debts-other trade accounts receivable (reversal)					
- other parties		(1,719,257)	(512,421)	-	-
- related parties	27(v)	-	-	11,390,294	-
Allowance for shortage, slow-moving and obsolete stocks (reversal)	6	(4,858,811)	5,500,088	(4,858,811)	5,500,088
Allowance for unrecoverable advances to supplier	7	39,635,411	-	39,635,411	-
Provision for employee termination/retirement benefits	17	2,990,052	7,200,000	2,990,052	7,200,000
Provision for annual leave		2,403,690	600,000	2,403,690	600,000
Inventory revaluation (gain)		-	(207,492)	-	(207,492)
Amortization of deferred gain on hire purchase		(1,531,119)	(1,531,119)	(1,531,119)	(1,531,119)
Withholding tax written-off		-	440,540	-	224,485
Depreciation expenses	9	336,267,102	337,724,334	336,017,392	337,453,734
(Gain) loss on disposal of property, plant and equipment		(1,758,594)	929,243	(1,758,594)	929,243
Impairment expenses	9	5,581,400	21,218,479	5,581,400	21,218,479
Property, plant and equipment written-off	9	248,029	1,941,652	248,029	1,941,652
Other assets written-off		6,213,470	38,512,731	6,213,470	38,512,731
Other assets write-down (reversal)		6,000,000	(10,877,389)	6,000,000	(10,877,389)
Other assets amortization expenses		12,901,884	12,619,575	12,901,884	12,619,575
Provisions for restoration expense	16	34,657,914	10,702,136	33,149,591	10,702,136
Unrealized foreign currency exchange (gain) loss		(717,226)	(17,824,250)	(717,226)	(17,824,250)
Minority interest in net profit of subsidiaries		1,074,525	983,984	-	-
<b>Cash flows from operations before changes in operating assets and liabilities</b>		<b>998,732,752</b>	<b>624,446,782</b>	<b>998,644,488</b>	<b>626,250,705</b>
<u>Operating assets (increase) decrease</u>					
Deposit		(121,314,837)	-	(121,314,837)	-
Trade accounts receivable					
- other parties		(4,871,030)	3,045,100	(7,056,799)	5,344,239
- related parties		(28,739,809)	4,754,465	(30,948,431)	4,861,629
Short-term loans to related parties		-	-	(2,377,333)	(329,665)
Inventories		(216,635,256)	220,372,282	(216,692,980)	220,350,559
Value Added Tax receivable		46,036,593	44,804,154	49,118,970	44,700,729
Other current assets		25,636,613	(64,582,724)	25,874,666	(64,481,862)
Other non-current assets		9,074,815	11,209,801	9,074,815	11,209,801
<u>Operating liabilities increase (decrease)</u>					
Trade accounts payable					
- other parties		(189,227,154)	(88,312,034)	(189,758,538)	(87,982,662)
- related parties		5,150,844	(10,049,562)	5,104,686	(93,913,767)
Accrued interest expenses					
- other parties		(677,748)	(224,140)	(677,748)	(224,140)
- related parties		-	-	8,630	(78,904)
Advance from related party		2,951,967	-	-	-
Accrued electricity expenses		(26,504,545)	20,173,475	(26,504,545)	20,173,475
Royalty payable		55,739,199	52,610,659	55,739,199	52,610,659
Other current liabilities		107,356,835	(38,054,115)	108,704,820	(37,479,588)
Provision for restoration expenses (use of)	16	(13,944,217)	(29,306,937)	(13,944,217)	(29,306,937)
<b>Net cash provided by operating activities</b>		<b>648,765,022</b>	<b>750,887,206</b>	<b>642,994,846</b>	<b>671,704,271</b>

The notes to the consolidated and company financial statements on pages 9 to 33 are integral part of these financial statements.

**Padaeng Industry Public Company Limited and Subsidiaries**  
**Statements of Cash Flows (Cont'd)**  
**For the years ended 31 December 2005 and 2004**

	Notes	Consolidated		Company	
		2005 Baht	Restated 2004 Baht	2005 Baht	Restated 2004 Baht
<b>Cash flows from investing activities</b>					
Cash paid for land compensation	14	(11,061,405)	(11,061,405)	(11,061,405)	(11,061,405)
Cash paid for purchase of property, plant and equipment	9	(164,284,068)	(189,653,571)	(164,268,811)	(189,554,011)
Cash received from sales of property, plant and equipment		2,840,622	3,256,776	2,840,622	3,256,776
Exploration and acquisition costs (increase)		(54,302,776)	(30,394,494)	(12,131,061)	(30,394,494)
<b>Net cash used in investing activities</b>		<b>(226,807,627)</b>	<b>(227,852,694)</b>	<b>(184,620,655)</b>	<b>(227,753,134)</b>
<b>Cash flows from financing activities</b>					
Loans from financial institution (decrease)	12	(108,099,635)	(517,961,223)	(108,099,635)	(517,961,223)
Short-term loans from related parties increase	27(vii)	-	-	90,000,000	-
Dividend payment		(90,239,264)	-	(90,239,264)	-
Proceeds from long-term borrowings	15	-	200,000,000	-	200,000,000
Payment on long-term borrowings	15	(102,500,000)	-	(102,500,000)	-
Account payable hire purchase (payment)		(4,572,481)	5,760,000	(4,572,481)	5,760,000
Proceeds from issue of ordinary shares of subsidiary		42,171,715	-	-	-
<b>Net cash (used in)/from financing activities</b>		<b>(263,239,665)</b>	<b>(312,201,223)</b>	<b>(215,411,380)</b>	<b>(312,201,223)</b>
Effects from changes in exchange rate for cash and cash equivalents		788	(423,984)	788	(423,984)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>158,718,518</b>	<b>210,409,305</b>	<b>242,963,599</b>	<b>131,325,930</b>
Cash and cash equivalents at beginning of the year		441,677,104	231,267,799	325,879,711	194,553,781
<b>Cash and cash equivalents at end of the year</b>		<b>600,395,622</b>	<b>441,677,104</b>	<b>568,843,310</b>	<b>325,879,711</b>
<b>Supplementary information for statements of cash flows</b>					
<b>Cash paid during the year:</b>					
Interest paid		21,220,045	21,042,539	21,668,810	26,091,805
Tax paid		1,066,130	2,889,038	199,283	78,682
<b>Non-cash items</b>					
Hire purchase payable		-	5,760,000	-	5,760,000

The notes to the consolidated and company financial statements on pages 9 to 33 are integral part of these financial statements.

## **1. General Information**

Padaeng Industry Public Company Limited (the “Company”) was established on April 10, 1981 and has been listed on the Stock Exchange of Thailand since July 21, 1987.

The Company’s head office is at CTI Tower, 26th-27th floor, 191/18-25 Rachadaphisek Road, Khlong Toei District, Bangkok. The Company operates a silicate mine and a zinc smelter located in Tak Province and a calcine plant located in Rayong Province.

The principal business operations of the Company and its subsidiaries are summarised as follows:

<b>Company</b>	<b>Principal activities</b>
Padaeng Industry Public Co., Ltd.	Mining and refining of zinc, the main products are zinc ingot and zinc alloy
<b>Subsidiaries</b>	<b>Principal activities</b>
Padaeng Properties Co., Ltd.	Providing services
Puthep Co., Ltd.	Copper exploration
Padaeng Industry (Laos) Co., Ltd.	Zinc exploration and mining in Laos
Padaeng International Mining Co., Ltd.	Minerals exploration in Vietnam
Sila Enterprise Co., Ltd.	Distribution of limestones
South East Asia Metals Co., Ltd.	Distribution of various base metals and their by-products

During the year 2005 , the Company employed 766 employees (2004: 746 employees).

These consolidated and company financial statements have been approved for issue by the Board of Directors on 23 February 2006.

## **2. Significant Accounting Policies**

The principal accounting policies adopted in the preparation of these consolidated and company financial statements are set out below.

### **2.1 Basis of preparation**

The consolidated and company financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543 being those Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547 and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535.

The accounting principles applied may differ from Generally Accepted Accounting Principles adopted in other countries and jurisdictions. The accompanying consolidated and company financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Thailand.

The consolidated and company financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

As a result of the Federation of Accounting Profession (FAP) approval of three new accounting standards on 12 May 2005, the Company has adopted TAS 52, 'Events After Balance Sheet Date', TAS 53, 'Provisions, Contingent Liabilities, and Contingent Assets' and TAS 54, 'Discontinuing Operations' since the second quarter of 2005. There is no significant impact to the financial statements from the adoption of these standards.

An English version of the consolidated and company financial statements has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

## **2. Significant Accounting Policies (Cont'd)**

### **2.2 Changes in Accounting Policy**

In 2005, the Company changed its accounting policy to start recognising provisions for employee termination/retirement benefits in accordance with Thai Labor laws. The effect of this change in accounting policy has been accounted for retrospectively. Accordingly, the comparative statements for 2004 have been restated to reflect adoption of the new policy. The Company has recognised Baht 8.2 and 7.2 million in employee termination/retirement benefits for 2005 and 2004 respectively. Additionally, Baht 50,614,474 has been recognised in the opening 2004 retained earnings balance representing the costs to be recognised for prior periods (see Note 2.19 and Note 17). There is no requirement under Thai Accounting Standards to record these costs.

### **2.3 Use of estimates**

The preparation of financial statements in conformity with Thai Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Actual results may differ from those estimates.

### **2.4 Revenue recognition**

Sales are recognised when title to the goods sold passes to the buyer, which is at the time when the goods are delivered to the customer or as contractually agreed.

### **2.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts. Cash and cash equivalents denominated in foreign currencies are translated at the exchange rate ruling at the end of the year.

### **2.6 Trade receivables**

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

### **2.7 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is calculated on the weighted average cost basis. The cost of work in progress and finished goods comprise raw materials costs (zinc sulphide, concentrates and zinc silicates), direct conversion costs, and a proportion of manufacturing overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less estimated conversion costs and the estimated costs incurred to make the sale. Where net realisable value is less than cost, an allowance for the diminution in value of inventories has been provided.

Spare parts and consumables are valued on the weighted average cost basis. Provisions are made, where necessary, for obsolete, slow moving and defective inventories based on a review of all outstanding amounts at the year-end.

### **2.8 Investments in subsidiaries**

Investments in subsidiaries are accounted for in the Company (non-consolidated) financial statements by the equity method. Subsidiaries are those entities over which the Company has over 50% of the voting rights, or over which the Company exercises control. When necessary, provisions are recorded for any impairment in value of these investments.

Equity accounting involves recognising in the income statement the Company's share of the subsidiary's profit or loss for the year. The Company's interests in the subsidiaries are carried in the balance sheet at an amount that reflects its shares of the net assets of the subsidiaries and includes goodwill, if any, on acquisition.

Additionally, all intercompany transactions, balances and unrealised gains are eliminated unless the loss cannot be recovered.

## **2. Significant Accounting Policies (Cont'd)**

### **2.9 Consolidation**

Subsidiary undertakings, which are those companies in which the Company, directly or indirectly, has over 50% of the voting rights or otherwise has power to exercise control over the financial and operating policies, have been consolidated (see Note 27(i)). Subsidiaries are consolidated from the date on which effective control is transferred to the Company and are no longer consolidated from the date control ceases. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Company. Separate disclosure is made for minority interests in the consolidated balance sheet and consolidated income statement.

The SET guideliness dated 8 May 1998, specify that the equity method is to be used to account for investments in subsidiaries that have accumulated losses exceeding their share capital, and that the consolidated financial statements recognise the full amount of a subsidiary's losses (excluding the minority interest to the extent that they do not exceed the minority shareholders' equity), that exceed the Company's investment in such subsidiaries.

In the Company (non-consolidated) financial statements, the Company's share of losses in subsidiaries are generally recognised only to the extent of the amount of the investment in the subsidiaries except where the Company has a commitment and/or guarantees on behalf of the subsidiaries. The resumption of recognition of the Company's equity in profit will begin when the profit in such subsidiaries exceeds the Company's shares of previously unrecognised losses in excess of investment. Accordingly, the consolidated and the Company's financial statements do not present the same net income (loss) and shareholders' equity.

### **2.10 Related companies**

Related companies are holding companies, subsidiaries, fellow subsidiaries, associates and other companies that are in the same company, including companies that are related by way of common directors, key management or shareholders. Transactions with related companies have been disclosed in Note 27.

### **2.11 Property, plant and equipment**

Carrying value: Property, plant and equipment are recorded at cost. Cost is measured by the cash or cash equivalent price of obtaining the asset and bringing it to the location and condition necessary for its intended use. In the case of self-constructed assets, the cost of construction consists of the materials, direct labour and other expenses attributable to the construction which are allocated to the assets on a systematic basis. Property, plant and equipment, except land, are presented in the balance sheet at cost less accumulated depreciation. Land is not depreciated.

Depreciation is calculated on a straight line method to write off the cost of each asset, or its revalued amount, to their residual values over their estimated useful life as follows:

	<u>Years</u>
Land improvement	5-20
Building	20 - 25
Machinery and heavy equipment	8-20
Equipment, furniture and fixtures and vehicles	5
Mining concession fees and expenses	5-16
Other structures	8-25

Residue ponds brought into operation after 1 January 2001 are amortised on units of production basis using the capacity volume of the residue ponds.

Finance lease assets are recorded as assets and depreciated over their estimated useful life.

When the Company disposes of property, plant and equipment, the Company will write-off both the asset and its related accumulated depreciation, and recognise any gain or loss from disposal of the assets through the statement of income.

Capital expenditures which result in the acquisition of assets, or results in an increase in capacity, useful life or improves the operating efficiency of existing assets and that are expected to provide future economic benefits, are capitalised.

Where the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount through recording an impairment charge.

## **2. Significant Accounting Policies (Cont'd)**

### **2.12 Exploration costs**

Exploration is accumulated separately for each area of interest and accounted using the successful efforts basis of accounting for such costs.

Under this basis, accumulated costs of exploration are capitalized and carried forward on the balance sheet where one or both of the following conditions are met:

- Costs are expected to be recouped through successful development and exploitation of each area of interest or by sale of the area of interest; and/or
- Exploration activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves and exploration activities are continuing in the area of interest.

Upon commencement of development and production, these costs are amortised using the straight line basis over the period that it is expected to provide economic benefits.

Expenditure which no longer satisfies the above policy is written-off or an allowance raised against such expenditure where management is of the opinion that the carried forward net cost may not be recoverable.

### **2.13 Environmental restoration costs**

Expenditures relating to ongoing environmental restoration programs are charged against earnings as incurred. Where future costs relating to environmental liabilities have arisen as a result of past events, the Company establishes a provision over the period in which the obligation is incurred, which is over the useful life of the related asset. These provisions are made on an undiscounted basis.

Hence, the estimated restoration costs of the Mae Sod mine are accrued over the life of the Mine. The estimated restoration costs for the residue ponds located at the Tak zinc smelter facility are accrued over the useful life of the residue ponds.

### **2.14 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

### **2.15 Deferred income taxes**

The Company does not recognise income taxes payable or receivable in future periods in respect of temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. The accounting standard for deferred income taxes is currently not in effect in Thailand.

### **2.16 Foreign currency transactions**

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Such balances are translated at year-end exchange rates. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets, and liabilities denominated in foreign currencies, are recognised in the statement of income.

## **2. Significant Accounting Policies (Cont'd)**

### **2.17 Financial instruments**

Financial assets and liabilities carried on the balance sheet include cash and cash equivalents, trade accounts receivable, related party receivables and payables, bank overdraft, trade accounts payable, accrued expenses and loans.

The Company enters into derivative financial instruments that reduce its exposure to fluctuations in foreign currency exchange rates with respect to recognised foreign currency assets or liabilities. The derivative instruments comprise forward foreign exchange contracts, protecting the Company from movements of foreign currency exchange rates by establishing the rate at which a foreign currency asset or liability will be realised or settled. Such forward contracts are recorded initially on the balance sheet at cost. Subsequently, they are measured at fair value and any related gains or losses (realized or unrealized) are recognised in current period income. The fair values of the contracts are based on closing exchange quotations.

The Company also enters into forward derivative contracts to protect the Company from movements in zinc metal prices and foreign exchange rate changes related to forecasted production, purchases and sales of zinc. Those instruments comprise forward contracts for the sale and purchase of zinc metal and foreign currencies to enable the Company to establish the prices of forecasted zinc metal sales and purchases. Such derivatives are not recognised on balance sheet at inception, since they relate to future transactions (or underlyings) which are not yet reflected in the financial statements. Gains and losses on those derivative contracts are recognised in the financial statements upon settlement of the transactions (see Note 30).

### **2.18 Leases - where a group company is the lessee**

Leases of property, plant or equipment which substantially transfer all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant or equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

### **2.19 Provision for employee termination/retirement benefits**

In 2005 the Company began recognising the costs of employee termination/retirement benefits payable in accordance with Thai Labor law. The amount of termination/retirement benefits are recorded based on an actuarial valuation completed based on employee wages, turnover, retirement ages, mortality, length of service and other factors in place at the end of the period. (The effect of adoption of this policy is shown in Note 2.2 and Note 17)

## **3. Cash and cash equivalents**

Cash and cash equivalents as at 31 December 2005 and 2004 comprise:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u> <u>Baht</u>	<u>Restated</u> <u>2004</u> <u>Baht</u>	<u>2005</u> <u>Baht</u>	<u>Restated</u> <u>2004</u> <u>Baht</u>
Cash on hands and deposits with banks	600,395,622	336,677,104	568,843,310	220,879,711
Promissory note/Bill of exchange	-	105,000,000	-	105,000,000
<b>Total</b>	<u>600,395,622</u>	<u>441,677,104</u>	<u>568,843,310</u>	<u>325,879,711</u>

The average interest rates on deposits and short-term investments are in the range of 0.25% - 3.55%.

**Padaeng Industry Public Company Limited and Subsidiaries**  
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**4. Deposit**

The Company has on deposit Baht 121,314,837 with commodity brokers to support the Company's hedging activities on the London Metal Exchange. The Company earns the prevailing short-term market interest rate on these US dollar deposits (see Note 30).

**5. Trade accounts receivable-net**

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>Restated</u>	<u>2005</u>	<u>Restated</u>
	<u>Baht</u>	<u>2004</u>	<u>Baht</u>	<u>2004</u>
		<u>Baht</u>		<u>Baht</u>
Trade accounts receivable	242,894,492	238,081,163	235,211,850	228,212,752
<u>Less: Allowance for doubtful accounts</u>	<u>(1,150,329)</u>	<u>(2,985,484)</u>	<u>-</u>	<u>(115,898)</u>
Trade accounts receivable, net	<u>241,744,163</u>	<u>235,095,679</u>	<u>235,211,850</u>	<u>228,096,854</u>

**6. Inventories-net**

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>Restated</u>	<u>2005</u>	<u>Restated</u>
	<u>Baht</u>	<u>2004</u>	<u>Baht</u>	<u>2004</u>
		<u>Baht</u>		<u>Baht</u>
Raw materials	853,331,805	253,334,062	853,331,805	253,334,062
Spare parts and consumables	243,007,464	232,605,769	243,007,464	232,605,769
Goods in transit	2,405,399	330,372,305	2,405,399	330,372,305
Work in process	234,447,785	286,353,641	234,447,785	286,353,641
Finished goods	227,206,282	241,097,701	227,206,282	241,039,978
	<u>1,560,398,735</u>	<u>1,343,763,478</u>	<u>1,560,398,735</u>	<u>1,343,705,755</u>
<u>Less : Allowance for obsolete and slow moving inventories</u>	<u>(31,786,120)</u>	<u>(36,644,931)</u>	<u>(31,786,120)</u>	<u>(36,644,931)</u>
Inventories, net	<u>1,528,612,615</u>	<u>1,307,118,547</u>	<u>1,528,612,615</u>	<u>1,307,060,824</u>

**7. Other current assets**

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>Restated</u>	<u>2005</u>	<u>Restated</u>
	<u>Baht</u>	<u>2004</u>	<u>Baht</u>	<u>2004</u>
		<u>Baht</u>		<u>Baht</u>
Advances to supplier				
- principal	35,071,032	37,719,189	35,071,032	37,719,189
- interest	4,564,379	1,827,400	4,564,379	1,827,400
Import tax	363,274	28,817,579	363,274	28,817,579
Others	18,009,956	17,784,405	17,497,258	17,509,759
	<u>58,008,641</u>	<u>86,148,573</u>	<u>57,495,943</u>	<u>85,873,927</u>
Allowance for doubtful accounts	<u>(39,635,411)</u>	<u>-</u>	<u>(39,635,411)</u>	<u>-</u>
Total	<u>18,373,230</u>	<u>86,148,573</u>	<u>17,860,532</u>	<u>85,873,927</u>

**Padaeng Industry Public Company Limited and Subsidiaries**  
**Notes to the Consolidated and Company Financial Statements**  
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**8. Investments in subsidiaries-net**

<u>Subsidiaries</u>	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>Restated</u>	<u>2005</u>	<u>Restated</u>
	<u>Baht</u>	<u>2004</u>	<u>Baht</u>	<u>2004</u>
		<u>Baht</u>		<u>Baht</u>
Opening net book amount	-	-	358,934,364	357,093,647
Share of results before tax	-	-	3,947,232	5,513,569
Share of tax	-	-	(1,021,059)	(3,672,852)
Net share of results	-	-	2,926,173	1,840,717
Increase in share capital (Note 27(i))	-	-	73,442	-
Closing net book amount	-	-	361,933,979	358,934,364

Net equity in principal subsidiary companies are shown in Note 27(i).

**Padaeng Industry Public Company Limited and Subsidiaries**  
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**9. Property, plant and equipment-net**

	<b>Consolidated</b>							<b>Total Baht</b>
	<b>Land and land improvement Baht</b>	<b>Building Baht</b>	<b>Machinery and heavy equipment Baht</b>	<b>Equipment, furniture, and fixtures Baht</b>	<b>Vehicles Baht</b>	<b>Other structures Baht</b>	<b>Building and machinery under construction Baht</b>	
<b>At 31 December 2004</b>								
Net book amount	447,288,523	626,603,845	1,226,066,188	32,549,376	35,455,686	9,699,847	49,431,030	2,427,094,495
<b>Year ended 31 December 2005</b>								
Opening balance	447,288,523	626,603,845	1,226,066,188	32,549,376	35,455,686	9,699,847	49,431,030	2,427,094,495
Additions	-	-	-	1,892,705	-	-	162,391,363	164,284,068
Transfers	11,805,782	6,777,494	100,349,783	20,163,259	23,494,121	18,000	(162,608,439)	-
Disposals	-	-	(512,093)	(38,616)	(531,318)	-	-	(1,082,027)
Write-offs	-	-	-	(42,753)	(205,276)	-	-	(248,029)
Closing book amount	459,094,305	633,381,339	1,325,903,878	54,523,971	58,213,213	9,717,847	49,213,954	2,590,048,507
<u>Less: Depreciation expense</u>	(19,613,069)	(71,267,184)	(208,818,545)	(20,860,871)	(10,671,706)	(5,035,727)	-	(336,267,102)
Provision for impairment (former) released	-	-	(5,373,052)	53,188	(261,536)	-	-	(5,581,400)
Closing net book amount	439,481,236	562,114,155	1,111,712,281	33,716,288	47,279,971	4,682,120	49,213,954	2,248,200,005
<b>At 31 December 2005</b>								
Cost	674,354,575	1,567,263,230	4,487,863,842	365,716,633	194,361,605	30,910,695	49,213,954	7,369,684,534
<u>Less: Accumulated depreciation</u>	(231,564,595)	(1,005,036,689)	(3,211,508,282)	(327,814,654)	(146,636,977)	(26,228,575)	-	(4,948,789,772)
Accumulated provision for impairment	(3,308,744)	(112,386)	(164,643,279)	(4,185,691)	(444,657)	-	-	(172,694,757)
Net book amount	439,481,236	562,114,155	1,111,712,281	33,716,288	47,279,971	4,682,120	49,213,954	2,248,200,005

**Padaeng Industry Public Company Limited and Subsidiaries**  
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**For the year ended 31 December 2005 and 2004**

**9. Property, plant and equipment-net (Cont'd)**

	<b>Company</b>							<b>Total Baht</b>
	<b>Land and land improvement Baht</b>	<b>Building Baht</b>	<b>Machinery and heavy equipment Baht</b>	<b>Equipment, furniture, and fixtures Baht</b>	<b>Vehicles Baht</b>	<b>Other structures Baht</b>	<b>Building and machinery under construction Baht</b>	
<b>At 31 December 2004</b>								
Net book amount	450,798,461	626,603,845	1,226,066,188	32,274,232	35,032,167	9,699,847	49,431,030	2,429,905,770
<b>Year ended 31 December 2005</b>								
Opening balance	450,798,461	626,603,845	1,226,066,188	32,274,232	35,032,167	9,699,847	49,431,030	2,429,905,770
Additions	-	-	-	1,877,448	-	-	162,391,363	164,268,811
Transfers	11,805,782	6,777,494	100,349,783	20,163,259	23,494,121	18,000	(162,608,439)	-
Disposals	-	-	(512,093)	(38,616)	(531,318)	-	-	(1,082,027)
Write-offs	-	-	-	(42,753)	(205,276)	-	-	(248,029)
Closing book amount	462,604,243	633,381,339	1,325,903,878	54,233,570	57,789,694	9,717,847	49,213,954	2,592,844,525
<u>Less: Depreciation expense</u>	(19,613,069)	(71,267,184)	(208,818,545)	(20,783,984)	(10,498,883)	(5,035,727)	-	(336,017,392)
Provision for impairment (former) released	-	-	(5,373,052)	53,188	(261,536)	-	-	(5,581,400)
Closing net book amount	442,991,174	562,114,155	1,111,712,281	33,502,774	47,029,275	4,682,120	49,213,954	2,251,245,733
<b>At 31 December 2005</b>								
Cost	677,864,513	1,567,263,230	4,487,863,842	364,132,487	192,670,737	30,910,695	49,213,954	7,369,919,458
<u>Less: Accumulated depreciation</u>	(231,564,595)	(1,005,036,689)	(3,211,508,282)	(326,444,023)	(145,196,804)	(26,228,575)	-	(4,945,978,968)
Accumulated provision for impairment	(3,308,744)	(112,386)	(164,643,279)	(4,185,691)	(444,657)	-	-	(172,694,757)
Net book amount	442,991,174	562,114,155	1,111,712,281	33,502,773	47,029,276	4,682,120	49,213,954	2,251,245,733

**Padaeng Industry Public Company Limited and Subsidiaries**  
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**9. Property, plant and equipment-net (Cont'd)**

Provision for asset impairment

Asset impairment charges represent a write-down in the book value of assets which exceed their estimated recoverable amount based on a review of each asset's respective value in use.

Changes in impairment provision movement are shown as follows:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>Restated</u>	<u>2005</u>	<u>Restated</u>
	<u>Baht</u>	<u>2004</u>	<u>Baht</u>	<u>2004</u>
		<u>Baht</u>		<u>Baht</u>
Opening balances	167,113,357	145,894,878	167,113,357	145,894,878
Provision for impairment	5,634,588	21,846,336	5,634,588	21,846,336
Reversal from disposals/write-off's	(53,188)	(627,857)	(53,188)	(627,857)
Ending balances	<u>172,694,757</u>	<u>167,113,357</u>	<u>172,694,757</u>	<u>167,113,357</u>

**10. Exploration and acquisition costs**

Exploration and acquisition costs balance comprise:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>Restated</u>	<u>2005</u>	<u>Restated</u>
	<u>Baht</u>	<u>2004</u>	<u>Baht</u>	<u>2004</u>
		<u>Baht</u>		<u>Baht</u>
<u>Exploration costs</u>				
Opening balance for the year	175,134,679	178,599,198	28,203,698	31,668,217
Expenditure incurred during the year	66,407,670	30,551,531	24,235,956	30,551,531
Expenditure charged to the statement of income	(12,104,895)	(21,136,981)	(12,104,895)	(21,136,981)
Expenditure transferred to mine properties	-	-	-	-
Expenditure written-down	(12,213,470)	(12,879,069)	(12,213,470)	(12,879,069)
Ending balance of the year (Note 10(i))	<u>217,223,984</u>	<u>175,134,679</u>	<u>28,121,289</u>	<u>28,203,698</u>
<u>Mining acquisition costs</u>				
Capitalized deferred cost				
Opening balance for the year	60,000,000	100,900,000	60,000,000	100,900,000
Acquisition cost write-off	-	(40,900,000)	-	(40,900,000)
Accumulative depletion	(13,333,344)	(6,666,672)	(13,333,344)	(6,666,672)
Ending balance for the year	<u>46,666,656</u>	<u>53,333,328</u>	<u>46,666,656</u>	<u>53,333,328</u>
Special prospect license fee	16,986,510	16,986,510	-	-
Land use compensation	9,730,567	11,434,795	9,730,567	11,434,795
Other capitalized expenditure	<u>15,612,031</u>	<u>20,143,015</u>	<u>15,612,031</u>	<u>20,143,015</u>
Ending balance for the year	<u>88,995,764</u>	<u>101,897,648</u>	<u>72,009,254</u>	<u>84,911,138</u>
Total	<u>306,219,748</u>	<u>277,032,327</u>	<u>100,130,543</u>	<u>113,114,836</u>

**10. Exploration and acquisition costs (Cont'd)**

**i) Exploration costs**

Exploration costs are mainly related to those incurred by a subsidiary, Puthep Co., Ltd. At the date of these statements, exploration activities had not established whether economically recoverable resources existed in the area. In accordance with the Company's accounting policy for exploration, such costs will remain capitalized until final determination of whether economically recoverable resource exists.

On 21 August 2000, the Company and Puthep Co., Ltd. entered into a Participation Agreement (the "Agreement") with Pan Australian Resources N.L. and PNA (Puthep) Pty Limited of Australia ("PNA") to undertake exploration and mining of Puthep Copper Project. Under the Agreement, PNA has the right to a 51% working interest in the Puthep Project in north-east Thailand by completing a feasibility study to a bankable standard. The Agreement also includes further options for PNA to acquire a total interest of either 60% or 70%.

PNA completed the expenditure requirements of the First Earning Period of the Participation Agreement (US\$ 1 million or Baht 42 million) in April 2003 and has complied with all other requirements under the Participation Agreement. Accordingly, in June 2005, PNA obtained, through a capital increase, a 20.66% ownership interest in Puthep Co., Ltd. (Note 27 (i))

PNA must spend a further US\$ 1 million to attain approximately a further 15% interest in Puthep Co., Ltd.

**11. Other non-current assets**

Other non-current assets as at 31 December 2005 and 2004 comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>Restated</b>	<b>2005</b>	<b>Restated</b>
	<b>Baht</b>	<b>2004</b>	<b>Baht</b>	<b>2004</b>
		<b>Baht</b>		<b>Baht</b>
Deposits	774,311	1,230,511	719,311	1,175,511
Others	5,283,216	11,753,342	5,283,216	11,753,342
	<u>6,057,527</u>	<u>12,983,853</u>	<u>6,002,527</u>	<u>12,928,853</u>
Deposits and installment payments for condominium units	74,932,723	74,932,723	-	-
<u>Less: Allowance for doubtful accounts</u>	<u>(74,932,723)</u>	<u>(74,932,723)</u>	<u>-</u>	<u>-</u>
Total	<u>6,057,527</u>	<u>12,983,853</u>	<u>6,002,527</u>	<u>12,928,853</u>

**Deposits and installment payment for condominium units**

A subsidiary has provided an allowance of Baht 75 million with respect to deposit and installment payments for certain condominium units whose construction was suspended due to unfavorable economic conditions.

**Others**

The Company has long-term investments in the amount of Baht 14,451,626 that have been fully written down in value.

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**12. Loans from financial institutions**

Loans from financial institutions as at 31 December 2005 and 2004 comprise:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>Restated</u>	<u>2005</u>	<u>Restated</u>
	<u>Baht</u>	<u>2004</u>	<u>Baht</u>	<u>2004</u>
		<u>Baht</u>		<u>Baht</u>
Promissory Notes	175,719,606	-	175,719,606	-
Trust Receipts	-	283,819,241	-	283,819,241
<b>Total</b>	<b>175,719,606</b>	<b>283,819,241</b>	<b>175,719,606</b>	<b>283,819,241</b>

The company has entered into short-term financing arrangements to fund its operations with various financial institutions.

The interest rates, the Company is paying on the promissory notes and trust receipts, are in the range of 5.22% - 5.25%

**13. Other current liabilities**

Other current liabilities as of 31 December 2005 and 2004 comprise:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>Restated</u>	<u>2005</u>	<u>Restated</u>
	<u>Baht</u>	<u>2004</u>	<u>Baht</u>	<u>2004</u>
		<u>Baht</u>		<u>Baht</u>
Accrued expenses	24,515,881	26,934,993	24,515,881	26,934,993
Accrued inventory purchases	164,582,245	65,942,840	164,582,245	65,942,840
Others	62,916,060	52,264,600	55,001,124	43,001,681
<b>Total</b>	<b>252,014,186</b>	<b>145,142,433</b>	<b>244,099,250</b>	<b>135,879,514</b>

Accrued inventory purchases represents changes in liability for unpriced raw material inventory shipments due to fluctuations in the quoted market price of the inventory.

**14. Payable for land use compensation**

The Company is required to compensate the Department of Forestry an amount of Baht 58 million as compensation for the use of forest areas. An amount of Baht 25 million was paid during the year 2002. The outstanding balance of Baht 33 million is being repaid annually since January 2003. The final payment was paid in May 2005. As at 31 December 2005 and 2004, outstanding amounts due for land use compensation comprise:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>Restated</u>	<u>2005</u>	<u>Restated</u>
	<u>Baht</u>	<u>2004</u>	<u>Baht</u>	<u>2004</u>
		<u>Baht</u>		<u>Baht</u>
Due within one year	-	11,061,405	-	11,061,405
More than one year	-	-	-	-
<b>Total</b>	<b>-</b>	<b>11,061,405</b>	<b>-</b>	<b>11,061,405</b>

  

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>Restated</u>	<u>2005</u>	<u>Restated</u>
	<u>Baht</u>	<u>2004</u>	<u>Baht</u>	<u>2004</u>
		<u>Baht</u>		<u>Baht</u>
Payable for land use compensation	11,061,405	22,122,810	11,061,405	22,122,810
<u>Less:</u> Payment during the year	<u>(11,061,405)</u>	<u>(11,061,405)</u>	<u>(11,061,405)</u>	<u>(11,061,405)</u>
<b>Total</b>	<b>-</b>	<b>11,061,405</b>	<b>-</b>	<b>11,061,405</b>

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**15. Long-term loans**

Long-term loans as at 31 December 2005 and 2004 comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>Restated</b>	<b>2005</b>	<b>Restated</b>
	<b>Baht</b>	<b>2004</b>	<b>Baht</b>	<b>2004</b>
		<b>Baht</b>		<b>Baht</b>
Due within one year	467,500,000	102,500,000	467,500,000	102,500,000
More than one year	80,000,000	547,500,000	80,000,000	547,500,000
<b>Total</b>	<b>547,500,000</b>	<b>650,000,000</b>	<b>547,500,000</b>	<b>650,000,000</b>

The movements in the borrowings can be analyzed as follows:

<b>For the year ended 31 December</b>	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>Restated</b>	<b>2005</b>	<b>Restated</b>
	<b>Baht</b>	<b>2004</b>	<b>Baht</b>	<b>2004</b>
		<b>Baht</b>		<b>Baht</b>
Opening amount	650,000,000	450,000,000	650,000,000	450,000,000
New loan agreements	-	200,000,000	-	200,000,000
Repayment of loans	(102,500,000)	-	(102,500,000)	-
Closing amount	<b>547,500,000</b>	<b>650,000,000</b>	<b>547,500,000</b>	<b>650,000,000</b>

In August 2003, the Company entered into unsecured 3-years bill of exchange agreements for Baht 200 million through a local bank. In November 2003, the Company entered into 2 unsecured loan agreements for the total amount of Baht 600 million with two local banks to refinance existing long-term loans. The repayment schedules are up to 3 years from the drawdown date of the loans. These facilities have been contracted at a market rate of interest which is in the range of 2.5% to 3%.

**i) Financing arrangements available**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>Restated</b>	<b>2005</b>	<b>Restated</b>
	<b>Baht</b>	<b>2004</b>	<b>Baht</b>	<b>2004</b>
		<b>Baht</b>		<b>Baht</b>
Bank Overdraft	60,000,000	60,000,000	60,000,000	60,000,000
Promissory Notes/Short-term Loans	1,882,619,000	1,888,240,000	1,882,619,000	1,888,240,000
Bank Guarantee	568,873,000	523,810,000	568,873,000	523,810,000
Packing Credit	-	60,000,000	-	60,000,000
Long-term Loans	650,000,000	650,000,000	650,000,000	650,000,000
<b>Total</b>	<b>3,161,492,000</b>	<b>3,182,050,000</b>	<b>3,161,492,000</b>	<b>3,182,050,000</b>

**ii) At balance sheet date, the following had been drawn down under the above facilities:**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>Restated</b>	<b>2005</b>	<b>Restated</b>
	<b>Baht</b>	<b>2004</b>	<b>Baht</b>	<b>2004</b>
		<b>Baht</b>		<b>Baht</b>
Promissory Notes	175,719,606	-	175,719,606	-
Trust Receipts	-	283,819,241	-	283,819,241
Long-term Loans	547,500,000	650,000,000	547,500,000	650,000,000
<b>Total</b>	<b>723,219,606</b>	<b>933,819,241</b>	<b>723,219,606</b>	<b>933,819,241</b>

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**16. Provisions for restoration expense**

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>Restated</u>	<u>2005</u>	<u>Restated</u>
	<u>Baht</u>	<u>2004</u>	<u>Baht</u>	<u>2004</u>
		<u>Baht</u>		<u>Baht</u>
Balance at the beginning of the year	21,543,364	40,148,165	21,543,364	40,148,165
Additional provisions				
charged to the statement of income	34,657,914	10,702,136	33,149,591	10,702,136
Amounts utilised	<u>(13,944,217)</u>	<u>(29,306,937)</u>	<u>(13,944,217)</u>	<u>(29,306,937)</u>
Balance at the end of the year	<u>42,257,061</u>	<u>21,543,364</u>	<u>40,748,738</u>	<u>21,543,364</u>

The provision for restoration costs represent amounts provided for the estimated costs of restoration of residual ponds at Tak and the tailing dam and rehabilitation of the mined area in Mae Sod in accordance with government regulations and creation of a community fund as per decision of the Board.

In line with its previously announced community service commitments, the Company has set aside a fund for the Mae Sod community development in the amount of Baht 10 million. That fund will be used exclusively for the benefit of the community around the mine by supporting various development projects.

**17. Provision for employee termination/retirement benefits**

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>Restated</u>	<u>2005</u>	<u>Restated</u>
	<u>Baht</u>	<u>2004</u>	<u>Baht</u>	<u>2004</u>
		<u>Baht</u>		<u>Baht</u>
Balance at the beginning of the year	57,814,474	-	57,814,474	-
Retrospective provision adjustments	<u>-</u>	<u>50,614,474</u>	<u>-</u>	<u>50,614,474</u>
	57,814,474	50,614,474	57,814,474	50,614,474
A current period provision	8,244,672	7,200,000	8,244,672	7,200,000
Provision used	<u>(5,254,620)</u>	<u>-</u>	<u>(5,254,620)</u>	<u>-</u>
Severance provision at year end	<u>60,804,526</u>	<u>57,814,474</u>	<u>60,804,526</u>	<u>57,814,474</u>

In 2005, the Company has begun recording the costs of employee termination/retirement benefits in accordance with Thai Labor laws. The amount of provision recognised is based on an actuarial valuation computed using factors based on employee wages, turnover, retirement ages, mortality, length of service and others. The Company has applied this policy retrospectively and accordingly opening retained earnings of 2004 have been adjusted to reflect the restatement of previously issued financial statements.

**18. Share capital and premium on share capital**

	<u>Number of</u>	<u>Ordinary</u>	<u>Shares</u>	<u>Total</u>
	<u>shares</u>	<u>shares</u>	<u>premium</u>	<u>Total</u>
		<u>Baht</u>	<u>Baht</u>	<u>Baht</u>
<b>As at 31 December 2004</b>	226,000,000	2,260,000,000	602,413,600	2,862,413,600
Movement during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>As at 31 December 2005</b>	<u>226,000,000</u>	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>2,862,413,600</u>

As at 31 December 2005, the total authorized number of ordinary shares is 226,000,000 shares (2004: 226,000,000 shares) with a par value of Baht 10 per share (2004: Baht 10 per share). All issued shares are fully paid.

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**19. Legal reserve**

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>Restated</u>	<u>2005</u>	<u>Restated</u>
	<u>Baht</u>	<u>2004</u>	<u>Baht</u>	<u>2004</u>
		<u>Baht</u>		<u>Baht</u>
As at 31 December 2004	9,791,560	-	9,791,560	-
Appropriation during the year	27,695,260	9,791,560	27,695,260	9,791,560
As at 31 December 2005	<u>37,486,820</u>	<u>9,791,560</u>	<u>37,486,820</u>	<u>9,791,560</u>

Under the Public Companies Act.,B.E.2535, the company is required to set aside as a legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve reaches 10% of the registered capital.

**20. Selling and administrative expenses**

The following expenditures, classified by nature, have been charged against the selling and administrative expenses:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>Restated</u>	<u>2005</u>	<u>Restated</u>
	<u>Baht</u>	<u>2004</u>	<u>Baht</u>	<u>2004</u>
		<u>Baht</u>		<u>Baht</u>
Freight and transportation costs	77,554,955	65,139,177	77,554,955	65,139,177
Impairment expenses (Note 9)	5,581,400	21,218,479	5,581,400	21,218,479
Bad debt expense (reversal)	(115,898)	-	(115,898)	-
Write off receivable from related companies	-	-	11,390,295	-
Allowance for doubtful account expenses (advance to supplier)	39,635,411	-	39,635,411	-
Allowance for obsolete and slow moving inventories (reversal) (Note 6)	(4,858,811)	5,500,089	(4,858,811)	5,500,089
Provision for employee benefits (Note 17)	8,244,672	7,200,000	8,244,672	7,200,000

**21. Dividend**

On 26 April 2005 the shareholders at the Annual General Meeting passed a resolution to declare a dividend for the year 2004 Baht 0.40 per share totalling Baht 90,400,000 for the shareholders as at the closing date on 9 May 2005. The dividend was paid on 25 May 2005.

**22. Finance costs-net**

Finance costs relate to the following:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>Restated</u>	<u>2005</u>	<u>Restated</u>
	<u>Baht</u>	<u>2004</u>	<u>Baht</u>	<u>2004</u>
		<u>Baht</u>		<u>Baht</u>
For the year ended 31 December				
Interest income	9,992,961	4,088,462	10,032,297	4,078,691
Interest expense	(26,249,430)	(30,613,995)	(26,706,827)	(31,495,896)
Total finance costs-net	<u>(16,256,469)</u>	<u>(26,525,533)</u>	<u>(16,674,530)</u>	<u>(27,417,205)</u>

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**23. Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

<b>For the year ended 31 December</b>	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>Restated 2004</b>	<b>2005</b>	<b>Restated 2004</b>
Net profit attributable to common shareholders (Baht)	561,344,282	217,026,691	553,905,198	221,629,549
Weighted average number of ordinary shares on issue (shares)	226,000,000	226,000,000	226,000,000	226,000,000
Basic earnings per share (Baht)	2.48	0.96	2.45	0.98

There are no potential dilutive ordinary shares in issue for the years presented and no diluted earning per share is presented.

**24. Bank guarantee issued by banks**

As at 31 December 2005 the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 375.83 million (2004: Baht 231.36 million).

**25. Capital expenditure and commitments**

As at 31 December 2005 and 2004, the Company has the following commitments for the acquisition of plant and equipment that have been contracted but not recorded as liabilities:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005 Baht</b>	<b>Restated 2004 Baht</b>	<b>2005 Baht</b>	<b>Restated 2004 Baht</b>
Not later than 1 year	5,767,384	52,375,405	5,767,384	52,375,405
Later than 1 year	-	-	-	-
Total	<u>5,767,384</u>	<u>52,375,405</u>	<u>5,767,384</u>	<u>52,375,405</u>

As at 31 December 2005 and 2004, the Company has the following commitments for the purchase of raw materials that have been contracted but not recorded as liabilities:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005 Baht</b>	<b>Restated 2004 Baht</b>	<b>2005 Baht</b>	<b>Restated 2004 Baht</b>
Not later than 1 year	2,630,146,241	1,578,974,225	2,630,146,241	1,578,974,225
Later than 1 year	-	573,220,954	-	573,220,954
Total	<u>2,630,146,241</u>	<u>2,152,195,179</u>	<u>2,630,146,241</u>	<u>2,152,195,179</u>

**26. Segment information**

The Company produces a single product produced in Thailand for both domestic and export markets, utilizing the same assets. The Company does not present segment information as it considers its business operations to be in one segment.

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**27. Related party transactions**

The Company's major shareholder is Umicore in Belgium which owns approximately 46.90% of the Company's outstanding shares. The remaining shares are widely held.

**i) Investments in subsidiaries**

Details of investments in subsidiaries are as follows:

	Company				Company			
	31 December 2005				31 December 2004 (Restated)			
	Paid up capital Baht	% ownership investment	Cost Baht	Carrying value Baht	Paid up capital Baht	% ownership investment	Cost Baht	Carrying value Baht
<b>Subsidiaries</b>								
Padaeng Properties Co., Ltd.	80,000,000	100	80,000,000	33,865,582	80,000,000	100	80,000,000	33,050,737
Puthep Co., Ltd.	183,575,800	79.34	145,650,772	162,205,203	145,584,742	100	145,584,742	161,926,604
Padaeng Industry (Laos) Co., Ltd.	5,000,000	100	5,000,000	-	5,000,000	100	5,000,000	-
Padaeng International Mining Co., Ltd.	100,000	100	100,000	-	100,000	100	100,000	-
Sila Enterprise Co., Ltd.	9,000,000	55	4,950,000	5,944,613	9,000,000	55	4,950,000	4,696,684
South East Asia Metals Co., Ltd.	200,000,000	100	200,000,000	159,918,581	200,000,000	100	200,000,000	159,260,339
			<u>435,700,772</u>	<u>361,933,979</u>			<u>435,634,742</u>	<u>358,934,364</u>

All subsidiaries are incorporated in Thailand except Padaeng Industry (Laos) Co., Ltd.

On 18 March 2005, the shareholders at the Extraordinary Shareholders' Meeting passed a resolution to approve an increase in the authorised share capital of Puthep Co., Ltd. from 2,348,142 ordinary shares with a par value of Baht 62 per share to 2,960,900 ordinary shares with a par value of Baht 62 per share. On 28 June 2005, Puthep Co., Ltd. received subscriptions of 612,759 additional shares at Baht 62 par value at a price of Baht 68.82 per share. As a result, the paid-up share capital and premium on share capital totalled Baht 37,991,058 and Baht 4,254,099, respectively. Puthep Co., Ltd. registered the increased share capital with the Ministry of Commerce on 29 June 2005 see Note 10(i). The impact of this transaction to minority shareholder was Baht 42,171,715.

In August 2005, the Board of Directors passed a resolution to complete the liquidation process of Padaeng International Mining Co., Ltd.

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**27. Related party transactions (Cont'd)**

**ii) Sales of goods and services**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>Restated</b>	<b>2005</b>	<b>Restated</b>
	<b>Baht</b>	<b>2004</b>	<b>Baht</b>	<b>2004</b>
		<b>Baht</b>		<b>Baht</b>
Sales of goods and services:				
Sila Enterprise Co., Ltd.	-	-	10,066,304	8,536,508
Umicore	518,461,054	402,547,355	518,461,054	402,547,355
Umicore Marketing Services (Far East) Ltd.	-	31,876,530	-	31,876,530
Umicore Marketing Services (Thailand) Co.,Ltd.	140,330,849	68,267,322	140,330,849	68,267,322
Umicore Precious Metal (Thailand) Co., Ltd.	-	1,283	-	1,283

Sales to related companies are based on

**iii) Purchases of goods and services**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>Restated</b>	<b>2005</b>	<b>Restated</b>
	<b>Baht</b>	<b>2004</b>	<b>Baht</b>	<b>2004</b>
		<b>Baht</b>		<b>Baht</b>
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	1,386,714	1,524,141
Padaeng Industry (Laos) Co., Ltd.	-	-	3,595,455	2,956,839
Umicore	12,096,723	677,921	12,096,723	677,921
Umicore Marketing Services (Thailand) Co.,Ltd.	38,597,361	22,441,907	38,597,361	22,441,907
Umicore Marketing Services (Far East) Ltd.	-	1,154,474	-	1,154,474
Umicore Engineering S.A.	1,673,003	-	1,673,003	-

Purchases from the subsidiary company are

**iv) Outstanding balances arising from**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>Restated</b>	<b>2005</b>	<b>Restated</b>
	<b>Baht</b>	<b>2004</b>	<b>Baht</b>	<b>2004</b>
		<b>Baht</b>		<b>Baht</b>
Receivables from related parties:				
Sila Enterprise Co., Ltd.	-	-	2,798,016	589,394
Umicore	32,401,827	9,786,330	32,401,827	9,786,330
Umicore Marketing Services (Far East) Ltd.	-	12,792,474	-	12,792,474
Umicore Marketing Services (Thailand) Co.,Ltd.	18,943,758	-	18,943,758	-
<b>Total</b>	<b>51,345,585</b>	<b>22,578,804</b>	<b>54,143,601</b>	<b>23,168,198</b>

**Padaeng Industry Public Company Limited and Subsidiaries**  
**Notes to the Consolidated and Company Financial Statements**  
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**27. Related party transactions (Cont'd)**

**iv) Outstanding balances arising from**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>Restated</b>	<b>2005</b>	<b>Restated</b>
	<b>Baht</b>	<b>2004</b>	<b>Baht</b>	<b>2004</b>
		<b>Baht</b>		<b>Baht</b>
Payables to related parties:				
Padaeng Properties Co., Ltd.	-	-	63,552	109,710
Umicore	981,037	418,682	981,037	418,682
Umicore Marketing Services (Thailand) Co.,Ltd.	4,983,788	395,299	4,983,788	395,299
<b>Total</b>	<b>5,964,825</b>	<b>813,981</b>	<b>6,028,377</b>	<b>923,691</b>

**v) Short-term loans and advances to**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>Restated</b>	<b>2005</b>	<b>Restated</b>
	<b>Baht</b>	<b>2004</b>	<b>Baht</b>	<b>2004</b>
		<b>Baht</b>		<b>Baht</b>
Padaeng Industry (Laos) Co., Ltd.	-	-	11,390,294	9,012,962
Puthep Co., Ltd.	-	-	1,650,063	1,723,505
Padaeng International Mining Co., Ltd.	-	-	244,800	244,800
	-	-	13,285,157	10,981,267
<u>Less:</u> Allowance for doubtful accounts	-	-	(11,436,894)	(46,600)
<b>Short-term loans and advances to related parties, net</b>	<b>-</b>	<b>-</b>	<b>1,848,263</b>	<b>10,934,667</b>

The outstanding balance from Padaeng Industry (Laos) Co., Ltd. totalling Baht 11.3 million mainly comprises a Baht 7.0 million loan advance which bear an interest rate of MLR plus 5%. The remaining Baht 4.3 million comprises accrued interest.

**vi) Advance from related party**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>Restated</b>	<b>2005</b>	<b>Restated</b>
	<b>Baht</b>	<b>2004</b>	<b>Baht</b>	<b>2004</b>
		<b>Baht</b>		<b>Baht</b>
<u>PNA (Puthep) Pty Limited of Australia</u>				
Beginning balance	-	-	-	-
Advance increases during the year	2,951,967	-	-	-
Ending Balance	<b>2,951,967</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Padaeng Industry Public Company Limited and Subsidiaries**  
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**27. Related party transactions (Cont'd)**

**vii) Loans from related parties**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>Restated</b>	<b>2005</b>	<b>Restated</b>
	<b>Baht</b>	<b>2004</b>	<b>Baht</b>	<b>2004</b>
		<b>Baht</b>		<b>Baht</b>
<u>South East Asia Metals Co., Ltd.</u>				
Beginning balance	-	-	90,000,000	90,000,000
Loans increase during the year	-	-	90,000,000	-
Ending balance	-	-	180,000,000	90,000,000
Accrued interest expenses	-	-	166,438	157,808

As at 31 December 2005, the above mentioned loan from South East Asia Metals Co., Ltd. is an unsecured 1 month term promissory note at an interest rate of 2.8125 % .

**28. Investment promotion certificates**

The Company has been granted certain rights and privileges as a promoted industry under the Investment Promotion Act of B.E. 2520 (1977). Under these privileges, the Company has received exemption from certain taxes and duties as detailed in the certificates including exemption from corporate income tax for a period of 8 years from the commencement of commercial operations or as specified in the certificate.

The following certificates are in force:

Zinc Ingot : Investment Promotion certificate No. 1575/2539 (1996)

As a promoted industry, the Company must comply with the terms and conditions as specified in the promotion certificates. Shareholders of the Company will be exempt from tax on the dividends received during the period in which the Company is granted exemption from corporate income tax.

**29. Revenue reporting of a promoted industry**

Based on the Announcement of the Board of the Investment No. PO 14/2541 (1998) dated December 30, 1998 regarding revenue reporting of a promoted industry, the Company is required to report revenue from local sales and export sales separately and to report separately promoted and non-promoted business. The required information is as follows:

<b>For the year ended December 31, 2005</b>	<b>Company</b>		<b>Total</b>
	<b>Promoted</b>	<b>Non-Promoted</b>	
	<b>business</b>	<b>business</b>	<b>Baht</b>
	<b>Baht</b>	<b>Baht</b>	
Income			
Income from export sales	-	842,914,315	842,914,315
Income from local sales	3,272,968	5,292,331,598	5,295,604,566
Total income from sales	3,272,968	6,135,245,913	6,138,518,881
Interest income	-	10,032,297	10,032,297
Other income	-	18,608,802	18,608,802
Total income	3,272,968	6,163,887,012	6,167,159,980

**Padaeng Industry Public Company Limited and Subsidiaries**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2005 and 2004**

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**29. Revenue reporting of a promoted industry (Cont'd)**

<b>For the year ended December 31, 2004</b>	<b>Company</b>		<b>Total Baht</b>
	<b>Promoted business Baht</b>	<b>Non-Promoted business Baht</b>	
Income			
Income from export sales	125,904,670	631,722,595	757,627,265
Income from local sales	861,008,834	4,045,091,453	4,906,100,287
Total income from sales	<u>986,913,504</u>	<u>4,676,814,048</u>	<u>5,663,727,552</u>
Interest income	-	4,078,691	4,078,691
Other income	-	17,649,030	17,649,030
Total income	<u><u>986,913,504</u></u>	<u><u>4,698,541,769</u></u>	<u><u>5,685,455,273</u></u>

**30. Risk management policy for assets and liabilities in foreign currencies**

**30.1 Significant assets and liabilities in foreign currencies**

As at 31 December 2005:

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		USD	Baht	USD	Baht
Cash at banks	-	5,863	240,273	5,863	240,273
Accounts receivable-foreign	15	1,174,119	48,118,449	1,174,119	48,118,449
Deposit		2,960,155	121,314,837	2,960,155	121,314,837
Forward contract payable	30-120	3,228,556	132,528,934	3,228,556	132,528,934
Forward contract receivable	30-120	2,935,908	120,639,626	2,935,908	120,639,626
Trust Receipts/Promissory Notes	30-130	4,246,549	174,849,956	4,246,549	174,849,956
Accounts payable	30-90	3,080,127	126,822,997	3,080,127	126,822,997
Realized forward contract payable for zinc metal price	30	6,071,450	236,729,822	6,071,450	236,729,822
Realized forward contract receivable for zinc metal price	30	6,071,450	249,812,954	6,071,450	249,812,954
	Term of receipt	Amount		Amount	
		EUR	Baht	EUR	Baht
Forward contract receivable	30-60	55,851	2,712,768	55,851	2,712,768
Accounts payable	30-90	46,978	2,299,577	46,978	2,299,577
	Payment (days)	Amount		Amount	
		SGD	Baht	SGD	Baht
Accounts payable	30-90	594	14,747	594	14,747
	Payment (days)	Amount		Amount	
		AUD	Baht	AUD	Baht
Accounts payable	30-90	22,849	693,624	22,849	693,624
	Payment (days)	Amount		Amount	
		GBP	Baht	GBP	Baht
Accounts payable	30-90	7,280	517,991	7,280	517,991

**30. Risk management policy for assets and liabilities in foreign currencies (Cont'd)**

**30.1 Significant assets and liabilities in foreign currencies (Cont'd)**

**As at 31 December 2004:**

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		USD	Baht	USD	Baht
Cash at banks	-	5,765	224,920	5,765	224,920
Accounts receivable-foreign	15	926,633	36,152,309	926,633	36,152,309
Forward contract receivable	30-180	5,014,455	195,896,842	5,014,455	195,896,842
Forward contract payable	10-180	2,540,812	99,202,872	2,540,812	99,202,872
Trust receipts	30-130	7,239,825	283,819,240	7,239,825	283,819,240
Accounts payable	30-90	8,330,752	326,586,305	8,330,752	326,586,305

  

	Term of receipt	Amount		Amount	
		EUR	Baht	EUR	Baht
		Forward contract receivable	1-30	107,168	5,696,224

  

	Payment (days)	Amount		Amount	
		SEK	Baht	SEK	Baht
		Accounts payable	30-90	110,880	652,751

Foreign currency amounts are translated by using the reference rate quoted by the Bank of Thailand and Commercial Bank as at 31 December 2005 and 2004, respectively.

**30.2 Risk management and hedging instruments**

The majority of the Company's price quotations of zinc related transactions are based in US dollars. In this respect, the Company is exposed to foreign currency fluctuations relating to export sales and to the purchases of imported raw materials, spare parts and capital equipment. When needed, the Company uses derivative financial instruments (mainly spot and forward contracts) to reduce the exposure to adverse fluctuations in foreign exchange rates.

Also, the Company uses derivative financial and commodity instruments (mainly spot and forward contracts) primarily to reduce the exposure to adverse fluctuations in foreign exchange rates and commodity prices on its expected future cash flows. Those risks derive mainly from our exposure to fluctuations in metals prices from our own mining production, on treatment charges and surplus of metals recovered from imported concentrates. Derivative financial and commodity instruments related to future cash flows are not recognized in the financial statements until the underlying cash flows is realized. Accordingly, on these transactions, no "mark to market" mechanism is applied at the time of the balance sheet date to unsettled financial and commodity.

In 2004 and the first quarter of year 2005, a total of 50,000 metric tons of zinc forward contracts were entered into relating to cash flows to be realized in 2005 at an average price of Baht 49,892 per metric tons. In addition, in 2005, a total of 30,000 metric tons of zinc forward contracts have been entered into relating to cash flows to be realized in 2006 at an average price of Baht 58,511 per metric ton. Further, a total of 18,275 metric tons of zinc forward contracts have been entered into relating to cash flows to be realized in 2007 at an average price of Baht 68,579 per metric ton.

**30. Risk management policy for assets and liabilities in foreign currencies (Cont'd)**

**30.2 Risk management and hedging instruments (Cont'd)**

At the end of the year, a balance of 48,275 metric tons of unsettled forward sales remained at a contractual average of USD 1,512 per metric ton which will be settled through purchases from the London Metals Exchange in 2006 and 2007. The total contract value of these unsettled forward contracts at 31 December 2005 is USD 73 million. Additionally, at 31 December 2005, 41,650 metric tons of unsettled metal forwards purchases remained at a closing average of USD 1,836 per metric ton. The contract value of these forward contracts which remain unpriced at period end are estimated at USD 76 million.

Fair values	Consolidated		Company	
	Amount		Amount	
	USD	Baht	USD	Baht
<b>As at 31 December 2005:</b>				
<b>For off balance sheet contracts</b>				
Forward contract receivable for the net of zinc and aluminium metal price	-	-	-	-
Forward contract payable for zinc metal price	72,978,438	3,001,448,281	72,978,438	3,001,448,281

**As at 31 December 2004:**

**For off balance sheet contracts**

Forward contract receivable for the net of zinc and aluminium metal price	748,800	29,168,824	748,800	29,168,824
Forward contract payable for zinc metal price	35,363,864	1,378,323,121	35,363,864	1,378,323,121

The contract values shown in above reflect the marked to market values of the contracts at year end. The marked to market values are determined on a comparison of the contract rate to the prevailing end of period market rate. (spot-to-spot or forward-to-forward depending on the type of contract).

The operations carried out on the future markets for reducing both transactional and structural risks as describe here above are not of speculative nature.

**30.3 Fair values**

The carrying amounts at the balance sheet date of cash and cash equivalents, trade accounts receivable, short-term loans and advances to related parties, Value Added Tax receivable, other receivables, other current assets, investment and certain other assets, loans from financial institutions, trade accounts payable, short-term loans from related parties, payable for land use compensation, accrued interest expenses, accrued electricity expenses, royalty payable, other current liabilities, hire purchase payable, deferred gain on hire purchase and provision for restoration expense approximate their fair values.

**30. Risk management policy for assets and liabilities in foreign currencies (Cont'd)**

**30.4 Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company.

As a general rule, the Company has a credit risk management policy to obtain collateral from the customers before commencing trade. The collateral may include bank guarantees or cash guarantees.

The Company's credit risk is spread amongst several customers.

**30.5 Interest rate risk**

Interest rate risk in the balance sheet arises from the potential for a change in interest rates to have an adverse effect on the net interest earnings of the Company in the current reporting period and in future years.

Management believes that these risks are acceptable. In 2003, the Company obtained financing facilities in the amount of Baht 800 million at a fixed rate of interest for a period of 3 years. As of December 31, 2005, the Company has drawdown a total of Baht 650 million from which Baht 547.5 million are still not matured (see Note 14).

**31. Provident funds**

The Company established a registered contributory provident fund in accordance with the Provident Fund Act B.E. 2530. Under the plan, the Company and employees contribute to the fund at a certain percentage of the employees basic salary. Contributions to the provident fund are charged to the statement of income in the year to which they related.

**32. Reclassification**

Certain items in the balance sheet as at 31 December 2004 and statements of income for the year then ended have been reclassified for comparative purpose to coincide with balance sheet as at 31 December 2005 and statements of income for the year then ended.

**33. Restatement**

As disclosed in Note 2 and Note 17, the prior year financial statements have been restated to reflect the adoption of the recognition of employee termination/retirement benefits.

**34. Post balance sheet event**

On 23 February 2006, the Board of Director decided to propose the payment of a dividend in respect of 2005 operating results of Baht 1.10 per share totalling Baht 248.6 million in the Annual Shareholder's Meeting in April 2006.