

PADAENG INDUSTRY PUBLIC COMPANY LIMITED

CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

31 DECEMBER 2013

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 financial statements of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the related consolidated and company statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited as at 31 December 2013, and its consolidated and company results of operations and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Chanchai Chaiprasit
Certified Public Accountant (Thailand) No. 3760
PricewaterhouseCoopers ABAS Ltd.

Bangkok
18 February 2014

Padaeng Industry Public Company Limited
Statement of Financial Position
As at 31 December 2013

	Notes	Consolidated			Company		
		31 December 2013 Baht	31 December 2012 Baht Restated	1 January 2012 Baht Restated	31 December 2013 Baht	31 December 2012 Baht Restated	1 January 2012 Baht Restated
Assets							
Current assets							
Cash and cash equivalents	7	679,285,633	1,026,571,357	714,174,693	534,625,583	879,628,792	567,402,283
Trade accounts receivable	8	300,307,845	285,744,367	311,050,406	299,662,016	284,329,948	309,947,290
Trade accounts receivable-related parties	27 (iv)	-	-	-	14,926,497	-	-
Inventories	9	2,211,754,503	1,985,869,985	3,130,443,958	2,211,754,503	1,985,869,985	3,130,443,958
Value added tax receivables		164,317,756	131,228,104	134,266,627	163,383,499	130,345,974	133,752,866
Other receivables-related parties	27 (v)	-	-	-	90,202	384,092	35,661,276
Income tax receivable		224,295	45,533,996	45,533,996	224,295	45,533,996	45,533,996
Other current assets	10	7,644,986	25,307,894	19,608,819	6,942,254	23,638,536	17,927,633
Total current assets		3,363,535,018	3,500,255,703	4,355,078,499	3,231,608,849	3,349,731,323	4,240,669,302
Non-current assets							
Advances to related parties	27 (vi)	-	-	-	-	-	75,001,662
Investments in subsidiaries	27 (i)	-	-	-	80,000,000	225,650,772	233,252,023
Investment in jointly controlled entity	27 (i)	55,790,538	69,939,097	94,192,819	236,249,800	236,249,800	236,249,800
Long-term loan to jointly controlled entity	27 (i)	105,000,000	105,000,000	105,000,000	105,000,000	105,000,000	105,000,000
Property, plant and equipment	11	1,533,092,293	1,438,444,365	1,333,356,752	1,534,816,033	1,439,979,785	1,334,567,520
Exploration and acquisition costs	12	26,962,570	949,217,141	1,200,903,801	26,962,570	30,236,315	120,924,963
Deferred tax assets	13	114,596,606	-	-	-	-	-
Other non-current assets							
- deferred environmental rehabilitation expenses	14(i)	21,189,606	23,820,625	25,246,380	21,189,606	23,820,625	25,246,380
- deferred environmental risk assurance expenses	14(ii)	13,045,286	16,359,563	19,205,548	13,045,286	16,359,563	19,205,548
- others	14(iii)	2,687,655	8,364,206	9,199,310	2,541,469	8,113,034	8,800,478
Total non-current assets		1,872,364,554	2,611,144,997	2,787,104,610	2,019,804,764	2,085,409,894	2,158,248,374
Total assets		5,235,899,572	6,111,400,700	7,142,183,109	5,251,413,613	5,435,141,217	6,398,917,676

Director.....

Director.....

Padaeng Industry Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2013

	Notes	Consolidated			Company		
		31 December 2013 Baht	31 December 2012 Baht	1 January 2012 Baht	31 December 2013 Baht	31 December 2012 Baht	1 January 2012 Baht
			Restated	Restated		Restated	Restated
Liabilities and shareholders' equity							
Current liabilities							
Short-term loans from financial institutions	15	826,635,779	811,988,641	725,896,310	826,635,779	811,988,641	725,896,310
Trade accounts payable		304,316,132	301,380,312	671,835,283	318,172,297	299,598,373	669,185,035
Accrued electricity expenses		190,811,384	202,261,631	241,452,376	190,811,384	202,261,631	241,452,376
Other payables-related party	27 (vii)	-	-	-	668,362	482,287	527,684
Income tax payable		102,970	530,581	718,294	-	-	-
Other current liabilities	19	85,086,440	132,200,438	158,015,546	80,099,429	131,816,552	150,945,886
Total current liabilities		1,406,952,705	1,448,361,603	1,797,917,809	1,416,387,251	1,446,147,484	1,788,007,291
Non-current liabilities							
Long-term loan from other party	27 (ix)	503,841,740	494,322,650	486,145,263	-	-	-
Accrued interest expenses-other party	27 (ix)	69,141,292	69,141,292	69,141,292	-	-	-
Provision for cadmium legal case	29	27,000,000	-	-	27,000,000	-	-
Provision for restoration and rehabilitation expenses	17	181,211,191	104,268,637	96,320,858	181,211,191	104,268,637	96,320,858
Employee benefit obligations	18	105,502,928	128,057,175	118,147,530	103,124,126	126,313,275	116,826,930
Total non-current liabilities		886,697,151	795,789,754	769,754,943	311,335,317	230,581,912	213,147,788
Total liabilities		2,293,649,856	2,244,151,357	2,567,672,752	1,727,722,568	1,676,729,396	2,001,155,079
Shareholders' equity							
Share capital							
Authorised share capital							
226,000,000 ordinary shares of Baht 10 each		2,260,000,000	2,260,000,000	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	21	2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Premium on share capital	21	602,413,600	602,413,600	602,413,600	602,413,600	602,413,600	602,413,600
Retained earnings							
Appropriated legal reserve	22	226,000,000	226,000,000	226,000,000	226,000,000	226,000,000	226,000,000
Unappropriated		47,601,834	569,734,202	1,270,687,353	435,277,445	669,998,221	1,309,348,997
Total equity attributable to owner of the parent company		3,136,015,434	3,658,147,802	4,359,100,953	3,523,691,045	3,758,411,821	4,397,762,597
Non-controlling interests		(193,765,718)	209,101,541	215,409,404	-	-	-
Total shareholders' equity		2,942,249,716	3,867,249,343	4,574,510,357	3,523,691,045	3,758,411,821	4,397,762,597
Total liabilities and shareholders' equity		5,235,899,572	6,111,400,700	7,142,183,109	5,251,413,613	5,435,141,217	6,398,917,676

The accompanying notes are an integral part of these consolidated and company financial statements.

Padaeng Industry Public Company Limited
Statements of Comprehensive Income
For the years ended 31 December 2013

	Notes	Consolidated		Company	
		2013 Baht	2012 Baht Restated	2013 Baht	2012 Baht Restated
Sales and services		5,466,270,554	7,601,743,541	5,453,095,903	7,583,527,944
Cost of sales and services		(5,175,942,082)	(7,616,711,626)	(5,168,107,296)	(7,604,320,264)
Gross profit (loss)		290,328,472	(14,968,085)	284,988,607	(20,792,320)
Other operating income		23,614,783	29,461,446	21,646,098	30,332,617
Gain (loss) on exchange rate		(39,833,093)	49,978,398	(39,902,618)	46,362,909
Gain on sale of fixed assets		5,159,073	4,444,003	5,446,863	4,444,003
Profit before expenses		279,269,235	68,915,762	272,178,950	60,347,209
Selling expenses		(72,365,344)	(69,753,845)	(72,365,344)	(69,753,845)
Administrative expenses	23	(1,231,294,239)	(536,855,502)	(433,753,822)	(485,335,973)
Total expenses		(1,303,659,583)	(606,609,347)	(506,119,166)	(555,089,818)
Operating loss		(1,024,390,348)	(537,693,585)	(233,940,216)	(494,742,609)
Share of loss of investment in jointly controlled entity on equity method	27 (i)	(14,148,559)	(24,253,722)	-	-
Loss before finance costs and corporate income tax		(1,038,538,907)	(561,947,307)	(233,940,216)	(494,742,609)
Finance costs		(8,710,431)	(13,011,641)	(8,710,431)	(13,011,641)
Loss before corporate income tax		(1,047,249,338)	(574,958,948)	(242,650,647)	(507,754,250)
Corporate income tax	24	114,319,840	(705,540)	-	-
Net loss for the year		(932,929,498)	(575,664,488)	(242,650,647)	(507,754,250)
Actuarial gain (loss) on defined benefit plan-net	18	7,929,871	(18,600,441)	7,929,871	(18,600,441)
Total comprehensive loss for the year		(924,999,627)	(594,264,929)	(234,720,776)	(526,354,691)
Net loss for the year attributable to:					
Owners of the parent		(530,062,239)	(569,356,625)	(242,650,647)	(507,754,250)
Non-controlling interests		(402,867,259)	(6,307,863)	-	-
		(932,929,498)	(575,664,488)	(242,650,647)	(507,754,250)
Total comprehensive loss for the year attributable to:					
Owners of the parent		(522,132,368)	(587,957,066)	(234,720,776)	(526,354,691)
Non-controlling interests		(402,867,259)	(6,307,863)	-	-
		(924,999,627)	(594,264,929)	(234,720,776)	(526,354,691)
Loss per share					
Basic loss per share	26	(2.35)	(2.52)	(1.07)	(2.25)

The accompanying notes are an integral part of these consolidated and company financial statements.

Padaeng Industry Public Company Limited
Statements of Changes in Shareholders' Equity
For the years ended 31 December 2013

Consolidated

	Notes	Attributable to owners of the parent						Total shareholders' equity Baht
		Issued and paid-up share capital Baht	Premium on share capital Baht	Retained earnings		Total owners of the parent Baht	Non-controlling interests Baht	
				Appropriated legal reserve Baht	Unappropriated Baht			
Opening balance as at 1 January 2013		2,260,000,000	602,413,600	226,000,000	572,332,479	3,660,746,079	209,101,541	3,869,847,620
Restrospective adjustments from changes in accounting policy								
- Adjustments to change the accounting for financial instruments for foreign currency exchange rates	5	-	-	-	(2,598,277)	(2,598,277)	-	(2,598,277)
Opening balance after adjustments		2,260,000,000	602,413,600	226,000,000	569,734,202	3,658,147,802	209,101,541	3,867,249,343
Total comprehensive loss for the year		-	-	-	(522,132,368)	(522,132,368)	(402,867,259)	(924,999,627)
Closing balance as at 31 December 2013		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>226,000,000</u>	<u>47,601,834</u>	<u>3,136,015,434</u>	<u>(193,765,718)</u>	<u>2,942,249,716</u>
Opening balance as at 1 January 2012		2,260,000,000	602,413,600	226,000,000	1,275,332,832	4,363,746,432	215,409,404	4,579,155,836
Restrospective adjustments from changes in accounting policy								
- Adjustments to change the accounting for financial instruments for foreign currency exchange rates	5	-	-	-	(4,645,479)	(4,645,479)	-	(4,645,479)
Opening balance after adjustments		2,260,000,000	602,413,600	226,000,000	1,270,687,353	4,359,100,953	215,409,404	4,574,510,357
Total comprehensive loss for the year		-	-	-	(587,957,066)	(587,957,066)	(6,307,863)	(594,264,929)
Dividend paid		-	-	-	(112,996,085)	(112,996,085)	-	(112,996,085)
Closing balance as at 31 December 2012		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>226,000,000</u>	<u>569,734,202</u>	<u>3,658,147,802</u>	<u>209,101,541</u>	<u>3,867,249,343</u>

The accompanying notes are an integral part of these consolidated and company financial statements.

Padaeng Industry Public Company Limited
Statements of Changes in Shareholders' Equity
For the years ended 31 December 2013

	Notes	Company			Total shareholders' equity Baht	
		Issued and paid-up share capital Baht	Premium on share capital Baht	Retained earnings		
				Appropriated legal reserve Baht		Unappropriated Baht
Opening balance as at 1 January 2013		2,260,000,000	602,413,600	226,000,000	672,596,498	3,761,010,098
Retrospective adjustments from changes in accounting policy - Adjustments to change the accounting for financial instruments for foreign currency exchange rates	5	-	-	-	(2,598,277)	(2,598,277)
Opening balance after adjustments		2,260,000,000	602,413,600	226,000,000	669,998,221	3,758,411,821
Total comprehensive loss for the year		-	-	-	(234,720,776)	(234,720,776)
Closing balance as at 31 December 2013		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>226,000,000</u>	<u>435,277,445</u>	<u>3,523,691,045</u>
Opening balance as at 1 January 2012		2,260,000,000	602,413,600	226,000,000	1,313,994,476	4,402,408,076
Retrospective adjustments from changes in accounting policy - Adjustments to change the accounting for financial instruments for foreign currency exchange rates	5	-	-	-	(4,645,479)	(4,645,479)
Opening balance after adjustments		2,260,000,000	602,413,600	226,000,000	1,309,348,997	4,397,762,597
Total comprehensive loss for the year		-	-	-	(526,354,691)	(526,354,691)
Dividend paid		-	-	-	(112,996,085)	(112,996,085)
Closing balance as at 31 December 2012		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>226,000,000</u>	<u>669,998,221</u>	<u>3,758,411,821</u>

The accompanying notes are an integral part of these consolidated and company financial statements.

Padaeng Industry Public Company Limited
Statements of Cash Flows
For the years ended 31 December 2013

	Notes	Consolidated		Company	
		2013 Baht	2012 Baht Restated	2013 Baht	2012 Baht Restated
<u>Cash flows from operating activities</u>					
Loss before tax		(1,047,249,338)	(574,958,948)	(242,650,647)	(507,754,250)
<u>Adjustments for:</u>					
Depreciation and amortisation expenses	23	278,967,387	300,118,325	278,506,520	282,938,743
Interest expenses		8,710,431	13,011,641	8,710,431	13,011,641
Interest income		(15,254,602)	(20,991,839)	(11,937,717)	(17,299,510)
Share of loss from jointly controlled entity	27 (i)	14,148,559	24,253,722	-	-
Allowance for doubtful debt- related parties		-	-	2,023,486	96,572,202
Allowance of slow-moving and obsolete stocks (reversal)		(1,698,588)	1,819,593	(1,698,588)	1,819,593
Provisions for employee benefits		13,038,285	13,566,573	12,403,383	13,143,273
Provisions for annual leave (reversal)		(3,613,756)	600,000	(3,613,756)	600,000
Gain on disposal of property, plant and equipment		(5,446,863)	(4,444,031)	(5,446,863)	(4,444,031)
Provisions for asset impairment (reversal)		5,902,602	(91,558)	5,902,602	(91,558)
Exploration costs written-down	12	926,283,470	226,373,554	-	76,039,308
Diminution of investment	27 (i)	-	-	145,650,772	7,601,251
Provisions for restoration expense	17	88,139,160	22,776,618	88,139,160	22,776,618
Unrealised (gain) loss on foreign currency exchange		35,574,290	(15,183,857)	38,791,790	(15,183,857)
<u>Changes in operating assets and liabilities</u>					
Trade accounts receivable-other parties		(16,565,533)	25,401,582	(17,334,123)	25,712,884
Trade accounts receivable-related parties		-	-	(14,926,497)	-
Inventories		(224,185,930)	1,142,754,380	(224,185,930)	1,142,754,380
Value added tax receivables		(33,089,652)	3,038,523	(33,037,525)	3,406,892
Other receivables-related parties		-	-	283,098	35,266,956
Prepayment to a related party		-	-	(2,012,694)	(21,560,312)
Other current assets		18,346,758	(6,657,532)	17,788,577	(6,942,033)
Deferred tax assets	24	(114,596,606)	-	-	-
Other non-current assets					
- deferred environmental rehabilitation expenses		(3,657,106)	(4,730,968)	(3,657,106)	(4,730,968)
- deferred environmental risk assurance expenses		(851,284)	(1,296,565)	(851,284)	(1,296,565)
- others		4,792,779	(968,923)	4,757,178	(1,028,922)
Trade accounts payable-other parties		(528,720)	(370,226,571)	15,109,384	(369,358,261)
Accrued electricity expenses		(11,450,247)	(39,190,745)	(11,450,247)	(39,190,745)
Royalty payable		1,530,000	(1,790,000)	1,530,000	(1,790,000)
Other current liabilities		9,391,974	(20,464,188)	5,116,352	(13,561,200)
Provision for cadmium legal case	29	(27,000,000)	-	(27,000,000)	-
Provisions for restoration expenses utilised	17	(11,196,606)	(14,828,839)	(11,196,606)	(14,828,839)
Provisions for employee benefits expenses utilised	18	(27,662,661)	(22,257,369)	(27,662,661)	(22,257,369)
Cash generated from (used in) operation		(139,221,797)	675,632,578	(13,949,511)	680,325,321
Interest paid		(9,232,738)	(13,214,298)	(9,232,738)	(13,214,298)
Tax paid		114,366,054	(1,039,924)	-	(147,749)
Corporate income tax refund		44,118,504	-	44,118,504	-
Net cash provided by (used in) operating activities		10,030,023	661,378,356	20,936,255	666,963,274

The accompanying notes are an integral part of these consolidated and company financial statements.

Padaeng Industry Public Company Limited
Statements of Cash Flows (Cont'd)
For the years ended 31 December 2013

	Notes	Consolidated		Company	
		2013 Baht	2012 Baht Restated	2013 Baht	2012 Baht Restated
<u>Cash flows from investing activities</u>					
Interest received		15,429,553	20,948,828	12,036,619	17,267,642
Cash paid for purchase of property, plant and equipment	11	(362,201,991)	(362,050,020)	(361,998,828)	(361,920,270)
Cash received from sales of property, plant and equipment		5,609,206	4,866,586	5,609,206	4,866,584
Cash paid for exploration		(6,925,207)	(6,070,508)	(2,840,063)	(96,756)
Net cash used in investing activities		(348,088,439)	(342,305,114)	(347,193,066)	(339,882,800)
<u>Cash flows from financing activities</u>					
Proceeds (payment) on short-term loans from - financial institutions		(10,678,854)	96,623,728	(10,678,854)	96,623,728
Proceeds from long-term loan from other party	27 (ix)	9,519,090	8,177,387	-	-
Dividend payment		(68,340)	(113,207,933)	(68,340)	(113,207,933)
Net cash used in by financing activities		(1,228,104)	(8,406,818)	(10,747,194)	(16,584,205)
Effects from changes in exchange rate for cash and cash equivalents		(7,999,204)	1,730,240	(7,999,204)	1,730,240
Net increase (decrease) in cash and cash equivalents		(347,285,724)	312,396,664	(345,003,209)	312,226,509
Cash and cash equivalents at beginning of the year		1,026,571,357	714,174,693	879,628,792	567,402,283
Cash and cash equivalents at end of the year		679,285,633	1,026,571,357	534,625,583	879,628,792

The accompanying notes are an integral part of these consolidated and company financial statements.

1 General information

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

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

The principal business operations of the Company, its subsidiaries and a jointly controlled entity (the “Group”), are summarised as follows:

Company	Principal activities
Padaeng Industry Public Co., Ltd.	Mining and smelting zinc, the main products are zinc and zinc alloys
Subsidiaries	Principal activities
Padaeng Properties Co., Ltd.	Providing property 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 (non operating)
South East Asia Metals Co., Ltd.	Trading of various base metals and their by-products
Ton Sangkasi Pte Ltd.	Minerals exploration, prospecting, mining and processing of base metals
Jointly controlled entity	Principal activities
Maesod Clean Energy Co., Ltd.	Production and sales of ethanol and electricity

These consolidated and company financial statements have been authorised for issue by the Board of Directors at its meeting on 18 February 2014.

2 Significant accounting policies

The principal accounting policies applied 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 Financial Reporting 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.

The consolidated and company financial statements have been prepared under the historical cost convention, except for the accounting of environmental restoration and rehabilitation expenses in Note 2.11, employee benefits as disclosed in Note 2.14 and financial instruments as disclosed in Note 2.18.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and company financial statements are disclosed in Note 3.

An English version of the consolidated and company statutory 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 New accounting standards, new financial reporting standards, new interpretations and amendments to accounting standards

- a) New accounting standards, revised accounting standards and new financial reporting standards which are effective on 1 January 2013 and are relevant to the Group are:

TAS 12	Income Taxes
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating Segments

TAS 12 requires tax expenses to be recognised for current and deferred tax. The new accounting policy of income taxes is provided in Note 2.13 and there is no impact to the consolidated and company's Statement of Financial Position as at 31 December 2012 and the consolidated and company's Statements of Comprehensive Income for the year ended 31 December 2012.

TAS 21 (Revised 2009) requires the Group to determine the functional currency which is the currency of the primary economic environment in which the entity operates. The Company assessed and concluded that the functional currency of the Group is Thai Baht. As a consequence, applying TAS 21 (Revised 2009) has no impact to assets, liabilities and retained earnings. The new accounting policy is described in Note 2.5.

TFRS 8 requires the operating segment to be described in the same manner as internal reporting used by the chief operating decision-maker. The new accounting policy is described in Note 2.19. The impact to the Group in applying TFRS 8 is only related to disclosures.

- b) Revised accounting standards, revised financial reporting standards, and related interpretations that are not yet effective and have not been early adopted by the Group are:

Revised accounting standards, revised financial reporting standards which are effective on or after 1 January 2014 are as follows:

TAS 1 (Revised 2012)	Presentation of Financial Statements
TAS 7 (Revised 2012)	Statement of Cash Flows
TAS 12 (Revised 2012)	Income Taxes
TAS 17 (Revised 2012)	Leases
TAS 18 (Revised 2012)	Revenue
TAS 19 (Revised 2012)	Employee Benefits
TAS 21 (Revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 28 (Revised 2012)	Investments in Associates
TAS 31 (Revised 2012)	Interest in Joint Ventures
TAS 34 (Revised 2012)	Interim Financial Reporting
TAS 38 (Revised 2012)	Intangible Assets
TFRS 8 (Revised 2012)	Operating Segments

TAS 1 (revised 2012) clarifies that conversion features that are at the holder's discretion do not impact the classification of the liability component of the convertible instrument. TAS 1 also clarifies that, for each component of equity, an entity may present the breakdown of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. This standard has no impact to the Group.

TAS 7 (revised 2012) clarifies that only expenditures that result in a recognized asset in the statement of financial position are eligible for classification as investing activities. This standard has no impact to the Group.

TAS 12 (revised 2012) amends an exception to the existing principle for the measurement of deferred tax assets or liabilities on investment property measured at fair value. TAS 12 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. This amendment therefore adds the rebuttable presumption that the carrying amount of an investment property measured at fair value is entirely recovered through sale. As the result of the amendment, TSIC 21 - Income tax - recovery of revalued non-depreciable assets is incorporated into TAS 12 (revised 2012). This standard has no impact to the Group.

2 Significant accounting policies (Cont'd)

2.2 New accounting standards, new financial reporting standards, new interpretations and amendments to accounting standards (Cont'd)

- b) Revised accounting standards, revised financial reporting standards, and related interpretations that are not yet effective and have not been early adopted by the Group are: (Cont'd)

TAS 17 (revised 2012) deletes the guidance for a lease of land with an indefinite useful life to be classified as an operating lease. The standard has been amended to clarify that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with TAS 17's general principles. This standard has no impact to the Group.

TAS 18 (revised 2012) removes the appendix to TAS 18. This standard has no impact to the Group.

TAS 19 (revised 2012) deletes the transition provisions of the current TAS 19. This standard has no impact to the Group.

TAS 21 (revised 2012) clarifies the method of recording cumulative amount of the exchange rate differences relating to disposal or partial disposal of a foreign operation. This matter should be adjusted prospectively effective for the period beginning on or after 1 January 2011. This standard has no impact to the Group.

TAS 28 (revised 2012) clarifies that when an entity moves from an equity accounting to cost accounting in the separate financial statements, the standard requires this to be adjusted retrospectively. Its entity losses significant influence, the remaining interest of investment should be valued at fair value. This matter should be adjusted prospectively effective for the period beginning on or after 1 January 2011. This standard has no impact to the Group.

TAS 31 (revised 2012) clarifies that when there is a change in the basis of accounting of an entity moves from an equity accounting to cost accounting in the company's separate financial statements, the standard requires this change to be reflected retrospectively. When an entity loses of joint control in its interest in joint control, the remaining interest of investment should be valued at fair value. This matter should be adjusted prospectively effective for the period beginning on or after 1 January 2011. This standard has no impact to the Group.

TAS 34 (revised 2012) emphasises the existing disclosure principles for significant event and transactions. Additional requirements cover disclosure of changes in fair value measurements (if significant), and the need to update relevant information from the most recent annual report. This standard has no impact to the Group.

TAS 38 (revised 2012) clarifies that an intangible asset acquired in a business combination might be separable, but only together with a related contract, identifiable asset or liability. In such cases, an intangible asset is recognised separately from goodwill, but together with the related asset. Intangible assets are recognised as a single asset provided the individual assets have similar useful lives. This standard has no impact to the Group.

TFRS 8 (revised 2013) clarifies that an entity is required to disclose a measure of segment assets only if the measure is regularly reported to the chief operating decision-maker. This standard has no impact to the Group.

New interpretations of Thai Financial Reporting Interpretations Committed ("TFRIC") and Thai Standard Interpretations Committee ("TSIC") which are effective for the periods beginning on or after 1 January 2014 are as follows:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Right to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TSIC 29	Service Concession Arrangements: Disclosure

2 Significant accounting policies (Cont'd)

2.2 New accounting standards, new financial reporting standards, new interpretations and amendments to accounting standards (Cont'd)

- b) Revised accounting standards, revised financial reporting standards, and related interpretations that are not yet effective and have not been early adopted by the Group are: (Cont'd)

New interpretations of Thai Financial Reporting Interpretations Committed (TFRIC) and Thai Standard Interpretations Committee (TSIC) which are effective for the periods beginning on or after 1 January 2014 are as follows: (Cont'd)

TFRIC 1 provides guidance on accounting for changes in the measurement of an existing decommissioning, restoration and similar liability that results from changes in estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate. The management is currently assessing the impact of applying this interpretation.

TFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. This interpretation has no impact to the Group.

TFRIC 5 provides guidance on accounting in the financial statements of a contributor for interests arising from decommissioning funds that the assets are administered separately and a contributor's right to access the assets is restricted. This interpretation has no impact to the Group.

TFRIC 10 prohibits reversal of an impairment losses recognised in a previous interim period in respect of goodwill. This interpretation has no impact to the Group.

TFRIC 12 applies to public-to-private service concession arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. This interpretation has no impact to the Group.

TSIC 29 contains disclosure requirements in respect of public-to-private service arrangements. This interpretation has no impact to the Group.

New accounting standard which is effective for the periods beginning on or after 1 January 2016 are as follows:

TFRS 4 Insurance Contracts

TFRS 4 applies to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. TFRS 4 is not relevant to the Group's operations.

2.3 Group Accounting - Investments in subsidiaries and interests in jointly controlled entities

(1) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

In the company financial statements, investments in subsidiaries are reported by using the cost method.

A list of the Group's subsidiaries is given in Note 27 (i).

2 Significant accounting policies (Cont'd)

2.3 Group Accounting - Investments in subsidiaries and interests in jointly controlled entities (Cont'd)

(2) Jointly controlled entities

In the consolidated financial statements, investments in jointly controlled entities are reported using the equity method of accounting.

In the company financial statements, interests in jointly controlled entities are reported using the cost method.

The Company's principal jointly controlled entity is listed in Note 27 (i).

2.4 General investment

Investments other than investments in subsidiaries and associates of the Group are classified into general investments. The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

General investments are non-marketable securities and are carried at cost less impairment.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investments. Cost of investment includes transaction costs.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to the profit or loss.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss.

2.5 Foreign currency transactions

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Thai Baht, which is the Group's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss, any exchange component of that gain or loss is recognised in profit and loss.

2.6 Cash and cash equivalents

In the consolidated and company statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks or other short-term highly liquid investments with original maturities of three months or less. In the consolidated and company statement of financial position, bank overdrafts are shown within short-term loans from financial institutions in current liabilities.

2 Significant accounting policies (Cont'd)

2.7 Trade accounts receivables

Trade accounts receivables are carried at the original invoice amount and subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collected. Bad debts are written off during the year in which they are identified and recognised in the profit or loss within administrative expenses.

2.8 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials (zinc sulphide, concentrates and zinc silicates), direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. 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 at the weighted average cost basis. Allowances are made, where necessary, for obsolete, slow moving and defective inventories and are based on a review of all outstanding amounts at the year-end.

2.9 Property, plant and equipment

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 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 statement of financial position at cost less accumulated depreciation.

Depreciation is calculated on the straight line basis to write off the cost or the revalued amount of each asset, except for land which is considered to have an indefinite life, to its residual value over the estimated useful life as follows:

	<u>Years</u>
Land improvements	5 - 20
Buildings	20 - 25
Machinery and heavy equipment	8 - 20
Equipment, furniture and fixtures	3 - 5
Vehicles	5

Mine restoration assets/residual ponds are amortised on units of production basis using the capacity volume of the residue ponds.

Residual value and the estimated useful life of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to a recoverable amount.

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the asset and are recognised in the profit or loss.

2 Significant accounting policies (Cont'd)

2.10 Exploration and acquisition costs

Exploration costs are 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 capitalised and carried forward on statement of financial position 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.

Expenditures which no longer satisfy the above policy are written-off or a provision is recognised for such expenditure where management is of the opinion that the carried forward net cost may not be recoverable.

Upon commencement of development and production, these exploration costs are amortised by using the straight line basis over the period that they are expected to provide economic benefits. Mining concession fees and acquisition costs have an estimated useful life of 5 to 16 years and are amortised accordingly or over the life of the mine, whichever is shorter.

2.11 Environmental rehabilitation, environmental risk assurance and restoration expenses

Under the terms of the Group's mining and production licenses, it is required to restore mining and production areas to their original conditions. The Group has recognized environmental rehabilitation and risk assurance provisions in respect to these costs as follows:

The Group accounts for environmental restoration and rehabilitation costs by estimating the costs of decommissioning mine properties and mine restoration assets and removal of any related assets and site restoration as part of the cost of restoration assets as at the date the obligation first arises and to the extent that it is first recognised as a provision.

Deferred environmental rehabilitation expenses and environmental risk assurance costs are amortised by the straight-line method over the useful life of mining area. Mine restoration assets are subsequently amortised on a unit-of production basis. The provisions are reviewed regularly and any changes in provisions are recognised as administrative expenses.

The corresponding restoration and rehabilitation provision, of an amount equivalent to the restoration asset created, is reviewed at the end of each reporting period. The provision is measured at the best estimate of the present value amount required to settle the present obligation at the end of the reporting period based on current legal and other requirements and technology, discounted where material using the weighted average cost of capital at the statement of financial position date with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Where there is a change in the expected restoration, rehabilitation or decommissioning costs, an adjustment is recorded against the carrying value of the provision and any related restoration asset, and the effects are recognised in the profit or loss on a prospective basis over the remaining life of the operation. Accretion expenses recognised due to unwinding of the effect of discounting of the restoration provision is included within administrative expenses in the statement of comprehensive income.

2 Significant accounting policies (Cont'd)

2.12 Impairment of assets

Assets that have an infinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets and intangible assets that have definite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Significant accounting policies (Cont'd)

2.14 Employee benefits

Post-employee benefits

The Group has both defined benefit and defined contribution plans. The Group operates a provident fund that is a defined contribution plan. The assets of which are held in a separate trust fund. The provident fund is funded by payments from employees and by the Group at a certain percentage of the employee basic salary. Contributions to the provident fund are charged to the profit or loss in the year to which they relate.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period with the adjustments for unrecognised past-service costs. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.15 Provisions

Provisions, excluding the provisions for employee benefits, are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods net of output tax, rebates and discounts, and after eliminating sales within the Group for the consolidated financial statements. Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer which is at the time when the goods are delivered to the customer or as contractually agreed.

Interest income is recognised on a time proportion basis, taking into account the outstanding principal and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group. Dividends are recognised when the right to receive payment is established.

2.17 Dividends

Dividends are recorded in the consolidated and company's financial statements in the period in which they are approved by the shareholders.

2 Significant accounting policies (Cont'd)

2.18 Financial instruments

Financial assets and liabilities carried on the statement of financial position include cash and cash equivalents, trade accounts receivable, related parties receivables and payables, bank overdraft, trade accounts payable, accrued expenses and loans.

The Group enters into derivative financial instruments that reduce its exposure to fluctuations in foreign currency exchange rates. The derivative instruments comprise forward foreign exchange contracts, protecting the Group from movements of foreign currency exchange rates.

Beginning 1 January 2013, the Group has changed its accounting policy for financial instrument contracts relating to foreign currency transactions. Such contracts are not recognized on the statement of financial position at inception. Gains and losses occurring on these contracts are only recognized upon settlement of the contracts. The impact of the adoption of this policy is shown in Note 5.

The Group also enters into forward derivative contracts to protect itself from movements in the zinc metal price changes related to production, and contracted purchases of concentrate and metal and sales of finished products. Those instruments comprise forward contracts for the sale and purchase of zinc metal. Such derivatives are not recognised on statement of financial position at inception, since they relate to future transactions (or underlying) 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; their valuation at period end is nevertheless mentioned in Note 28.

2.19 Operating segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Management Committee that makes strategic decisions. The Group has only one operating segment, being zinc metal, sold as ingots and alloys.

Segment information is presented in respect of the Group's business segments which is based on the Group's management and internal reporting structure (See more information in Note 6).

3 Critical accounting estimates, assumptions and judgements

Accounting estimates, assumptions, and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Environmental restoration and rehabilitation costs and environmental risk assurance costs

Deferred environmental restoration and rehabilitation expenses and provision for environmental restoration and rehabilitation expenses are recognised in the statement of financial position using the present value of the management's best estimation of future cash flows to be required to settle the expenditures for rehabilitation activities.

Deferred environmental risk assurance expenses and provision for environmental risk assurance expenses are recognised in the statement of financial position using the present value of the installments plan.

Significant judgment is required in determining the environmental restoration and rehabilitation expenses as there are many transactions and factors that will affect the ultimate liability payable to rehabilitate the mine site. Factors that will affect this liability includes future development, changes in technology, commodity price changes and changes in interest rates.

3 Critical accounting estimates, assumptions and judgements (Cont'd)

3.2 Exploration and acquisition costs

Exploration and acquisition costs for each area of interest are carried forward as an asset provided certain conditions are met. Exploration and acquisition costs are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and acquisition costs may exceed its recoverable amount. These calculations and reviews require the use of assumptions and judgments.

3.3 Property, plant and equipment

Management determines the carrying value of property, plant, and equipment and intangible assets based on estimates, assumptions, and judgments in respect of remaining useful lives and residual values of these assets. These estimates, assumptions, and judgments reflect both historical experience and expectations regarding future operations, utilisation, and performance.

3.4 Impairment

Assets with a definite useful life are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and, where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets and using an appropriate discount rate.

Impairment of exploration and acquisition cost

The recoverability of exploration and acquisition expenditure is assessed at the end of each reporting period. Significant judgment is required as to whether an area of activity is to be carried forward on the statement of financial position, or written off through the identification of area of activity which are not yet reached a stage the permits a reasonable assessment of the existence of economically recoverable reserve, where there is no continuing significant activity plan in the relation to the area.

3.5 Income tax

The Group is subject to income taxes in Thailand and the jurisdictions where it has foreign operations. Significant judgment is requirement in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Management has to exercise judgement with regards to deferred tax assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred tax assets are not recognised.

Deferred tax assets and liabilities are measures at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. When the different tax rates apply, deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the taxable profit or loss if the periods in which the temporary differences are expected to reserve.

4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

5 Financial instrument of foreign currency exchange rates

Prior to 1 January 2013, the Group recognised both realized and unrealized gains and losses related to financial instruments that reduced its exposure to fluctuations in foreign currency exchange rates with respect to recognised foreign currency assets or liabilities in the profit or loss.

Beginning 1 January 2013, the Group has changed its accounting policy for financial instrument contracts relating to foreign currency transactions. Such contracts are not recognized on the statement of financial position at inception. Gains and losses occurring on these contracts are only recognized upon settlement of the contracts. The impact of the adoption of this policy to the consolidated and company statement of financial position are shown below.

	As at 31 December 2012			As at 1 January 2012		
	Originally stated Baht	Adjustment Baht	Restated Baht	Originally stated Baht	Adjustment Baht	Restated Baht
Consolidated Statements of Financial Position						
Other current assets	28,300,381	(2,992,487)	25,307,894	25,672,285	(6,063,466)	19,608,819
Other current liabilities	132,594,648	(394,210)	132,200,438	159,433,533	(1,417,987)	158,015,546
Retained earnings						
- Unappropriated	572,332,479	(2,598,277)	569,734,202	1,275,332,832	(4,645,479)	1,270,687,353
Company Statements of Financial Position						
Other current assets	26,631,023	(2,992,487)	23,638,536	23,991,099	(6,063,466)	17,927,633
Other current liabilities	132,210,762	(394,210)	131,816,552	152,363,873	(1,417,987)	150,945,886
Retained earnings						
- Unappropriated	672,596,498	(2,598,277)	669,998,221	1,313,994,476	(4,645,479)	1,309,348,997

The presentation of the statement of financial position as at 1 January 2012 has been presented in accordance with TAS 1, Presentation of Financial Statements.

The effects of the consolidated and company statements of comprehensive income for the year ended 31 December 2012 are as follows:

	As originally stated Baht	Adjustment Baht	Restated Baht
Consolidated Statement of Comprehensive Income			
Gain on exchange rate	47,931,196	2,047,202	49,978,398
Total comprehensive loss	(596,312,131)	2,047,202	(594,264,929)
Company Statement of Comprehensive Income			
Gain on exchange rate	44,315,707	2,047,202	46,362,909
Total comprehensive loss	(528,401,893)	2,047,202	(526,354,691)

The effects on loss per share for the year ended 31 December 2012 are as follows:

	Consolidated Restated Baht	Company Restated Baht
Basic loss per share		
Before adjustment	(2.53)	(2.26)
Adjustments arising from changes in accounting policies	0.01	0.01
After adjustment	(2.52)	(2.25)

6 Segment information

The Group produces a single product in Thailand for both domestic and export markets, using the same assets. The Group's operations relate primarily to the production and sale of one principle product, zinc products. The following is information relating to this operating segment:

For the year ended 31 December

	2013 in million Baht	2012 in million Baht Restated
Revenue domestic		
- zinc ingot	2,093	3,476
- zinc alloy	2,208	2,478
- others	290	409
Revenue export		
- zinc ingot	49	562
- zinc alloy	696	573
- others	130	103
Total sales and services	<u>5,466</u>	<u>7,601</u>
Operating loss	<u>(1,024)</u>	<u>(538)</u>
Net loss for the year	<u>(933)</u>	<u>(576)</u>

All assets relating to the production of zinc products are at the Company's facilities in Tak Province and Rayong Province. Total assets are as disclosed in Note 11.

7 Cash and cash equivalents

	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
Cash on hand	585,000	610,000	480,000	480,000
Deposits held at call with banks	364,180,685	282,050,655	219,625,635	260,107,576
Cash and bank balances	364,765,685	282,660,655	220,105,635	260,587,576
Bill of exchange	314,519,948	743,910,702	314,519,948	619,041,216
Cash and cash equivalents	<u>679,285,633</u>	<u>1,026,571,357</u>	<u>534,625,583</u>	<u>879,628,792</u>

The average interest rates on deposits and short-term investments are in the range of 0.10% - 2.71% per annum (2012: 0.10% - 3.11% per annum).

Padaeng Industry Public Company Limited
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8 Trade accounts receivable

	Consolidated		Company	
	2013	2012	2013	2012
	Baht	Baht	Baht	Baht
Trade accounts receivable	300,307,845	285,744,367	299,662,016	284,329,948
<u>Less</u> Allowance for doubtful accounts	-	-	-	-
Trade accounts receivable, net	<u>300,307,845</u>	<u>285,744,367</u>	<u>299,662,016</u>	<u>284,329,948</u>

Outstanding trade accounts receivable as at 31 December 2013 and 2012 can be analysed as follows:

	Consolidated		Company	
	2013	2012	2013	2012
	Baht	Baht	Baht	Baht
Up to 3 months	273,783,488	285,744,367	273,137,659	284,329,948
3 – 6 months	26,524,357	-	26,524,357	-
	300,307,845	285,744,367	299,662,016	284,329,948
<u>Less</u> Allowance for doubtful accounts	-	-	-	-
Trade accounts receivable, net	<u>300,307,845</u>	<u>285,744,367</u>	<u>299,662,016</u>	<u>284,329,948</u>

9 Inventories

	Consolidated		Company	
	2013	2012	2013	2012
	Baht	Baht	Baht	Baht
Raw materials	884,279,700	938,352,824	884,279,700	938,352,824
Spare parts and consumables	125,323,785	159,152,503	125,323,785	159,152,503
Goods in transit	145,109,975	122,281,677	145,109,975	122,281,677
Work in process	586,392,352	522,657,418	586,392,352	522,657,418
Finished goods	483,432,562	283,793,674	483,432,562	283,793,674
	2,224,538,374	2,026,238,096	2,224,538,374	2,026,238,096
<u>Less</u> Allowance for slow moving and obsolete inventories	<u>(12,783,871)</u>	<u>(40,368,111)</u>	<u>(12,783,871)</u>	<u>(40,368,111)</u>
Inventories-net	<u>2,211,754,503</u>	<u>1,985,869,985</u>	<u>2,211,754,503</u>	<u>1,985,869,985</u>

The cost of inventories recognised as expense and included in ‘cost of sales’ amounted to Baht 5,168 million (2012: Baht 7,604 million) in the consolidated and company financial statement. Inventories are presented net of allowance for net realisable value.

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10 Other current assets

	Consolidated		Company	
	2013	2012	2013	2012
	Baht	Baht	Baht	Baht
		Restated		Restated
Advances to suppliers				
- principal	-	35,071,032	-	35,071,032
- interest	-	11,133,011	-	11,133,011
Others	7,644,986	25,307,894	6,942,254	23,638,536
	7,644,986	71,511,937	6,942,254	69,842,579
<u>Less</u> Allowance for doubtful accounts	-	(46,204,043)	-	(46,204,043)
Other current assets, net	<u>7,644,986</u>	<u>25,307,894</u>	<u>6,942,254</u>	<u>23,638,536</u>

Padaeng Industry Public Company Limited
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11 Property, plant and equipment

	Consolidated							Total Baht
	Land and land improvements Baht	Buildings Baht	Machinery and heavy equipment Baht	Equipment, furniture and fixtures Baht	Vehicles Baht	Building and machinery under constructions Baht	Mine Restoration assets Baht	
At 31 December 2011								
Cost	668,625,410	1,618,662,140	5,223,824,174	476,380,331	237,053,852	56,206,764	15,238,078	8,295,990,749
<u>Less</u> Accumulated depreciation	(354,924,659)	(1,370,345,784)	(4,433,334,541)	(427,349,557)	(192,878,688)	-	(1,598,244)	(6,780,442,473)
Accumulated provision for impairment	(3,308,745)	(6,306,792)	(165,816,374)	(6,407,615)	(351,998)	-	-	(182,191,524)
Net book value	<u>310,392,006</u>	<u>242,009,564</u>	<u>624,673,259</u>	<u>42,623,159</u>	<u>43,823,166</u>	<u>56,206,764</u>	<u>13,628,834</u>	<u>1,333,356,752</u>
Year ended 31 December 2012								
Opening balance	310,392,006	242,009,564	624,673,259	42,623,159	43,823,166	56,206,764	13,628,834	1,333,356,752
Additions	-	-	86,250	805,394	8,778,000	345,072,392	7,307,984	362,050,020
Transfers	10,351,536	17,301,520	172,268,713	4,852,807	8,261,008	(213,035,584)	-	-
Disposals	-	-	(421,180)	(1,373)	-	-	-	(422,533)
Depreciation expense	(13,774,697)	(42,265,120)	(170,166,129)	(14,293,518)	(14,477,488)	-	(1,654,460)	(256,631,412)
Reversal of provision for impairment	-	-	91,558	-	-	-	-	91,558
Closing net book value	<u>306,968,845</u>	<u>217,045,964</u>	<u>626,532,471</u>	<u>33,986,469</u>	<u>46,384,686</u>	<u>188,243,572</u>	<u>19,282,358</u>	<u>1,438,444,365</u>
At 31 December 2012								
Cost	678,976,946	1,635,963,660	5,393,389,979	477,739,773	236,995,271	188,243,572	22,546,062	8,633,855,263
<u>Less</u> Accumulated depreciation	(368,699,356)	(1,412,610,904)	(4,601,132,692)	(437,345,689)	(190,258,587)	-	(3,263,704)	(7,013,310,932)
Accumulated provision for impairment	(3,308,745)	(6,306,792)	(165,724,816)	(6,407,615)	(351,998)	-	-	(182,099,966)
Net book value	<u>306,968,845</u>	<u>217,045,964</u>	<u>626,532,471</u>	<u>33,986,469</u>	<u>46,384,686</u>	<u>188,243,572</u>	<u>19,282,358</u>	<u>1,438,444,365</u>

Padaeng Industry Public Company Limited
Notes to the consolidated and company financial statements
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11 Property, plant and equipment (Cont'd)

	Consolidated							Total Baht
	Land and land improvements Baht	Buildings Baht	Machinery and heavy equipment Baht	Equipment, furniture and fixtures Baht	Vehicles Baht	Building and machinery under constructions Baht	Mine Restoration assets Baht	
Year ended 31 December 2013								
Opening balance	306,968,845	217,045,964	626,532,471	33,986,469	46,384,686	188,243,572	19,282,358	1,438,444,365
Additions	-	-	-	5,458,406	-	286,089,840	70,653,745	362,201,991
Transfers	156,446,794	26,604,474	186,314,674	6,802,750	2,882,464	(379,051,156)	-	-
Disposals/ Written off	-	-	-	(14,913)	(147,424)	-	-	(162,337)
Reversal/ Provision for impairment	-	-	648,601	(1,294,119)	(5,242,171)	-	-	(5,887,689)
Depreciation expense	(13,537,358)	(42,136,410)	(174,550,496)	(10,519,818)	(14,607,551)	-	(6,152,404)	(261,504,037)
Closing net book value	<u>449,878,281</u>	<u>201,514,028</u>	<u>638,945,250</u>	<u>34,418,775</u>	<u>29,270,004</u>	<u>95,282,256</u>	<u>83,783,699</u>	<u>1,533,092,293</u>
At 31 December 2013								
Cost	835,423,740	1,662,568,134	5,561,217,320	487,646,691	230,253,002	95,282,256	93,199,807	8,965,590,950
<u>Less</u> Accumulated depreciation	(382,236,714)	(1,454,747,314)	(4,757,195,857)	(445,526,179)	(195,388,830)	-	(9,416,108)	(7,244,511,002)
Accumulated provision for impairment	(3,308,745)	(6,306,792)	(165,076,213)	(7,701,737)	(5,594,168)	-	-	(187,987,655)
Net book value	<u>449,878,281</u>	<u>201,514,028</u>	<u>638,945,250</u>	<u>34,418,775</u>	<u>29,270,004</u>	<u>95,282,256</u>	<u>83,783,699</u>	<u>1,533,092,293</u>

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11 Property, plant and equipment (Cont'd)

	Company							Total Baht
	Land and land improvements Baht	Buildings Baht	Machinery and heavy equipment Baht	Equipment, furniture and fixtures Baht	Vehicles Baht	Building and machinery under constructions Baht	Mine Restoration assets Baht	
At 31 December 2011								
Cost	672,135,348	1,618,662,140	5,223,600,718	471,100,810	237,033,852	56,206,765	15,238,078	8,293,977,711
<u>Less</u> Accumulated depreciation	(354,924,658)	(1,370,345,784)	(4,433,332,861)	(424,146,936)	(192,859,184)	-	(1,609,244)	(6,777,218,667)
Accumulated provision for impairment	(3,308,745)	(6,306,792)	(165,816,374)	(6,407,615)	(351,998)	-	-	(182,191,524)
Net book value	<u>313,901,945</u>	<u>242,009,564</u>	<u>624,451,483</u>	<u>40,546,259</u>	<u>43,822,670</u>	<u>56,206,765</u>	<u>13,628,834</u>	<u>1,334,567,520</u>
Year ended 31 December 2012								
Opening balance	313,901,945	242,009,564	624,451,483	40,546,259	43,822,670	56,206,765	13,628,834	1,334,567,520
Additions	-	-	-	761,894	8,778,000	345,072,392	7,307,984	361,920,270
Transfers	10,351,536	17,301,520	172,268,713	4,852,807	8,261,008	(213,035,584)	-	-
Disposals	-	-	(421,180)	(1,374)	-	-	-	(422,554)
Depreciation expense	(13,774,697)	(42,265,120)	(170,114,096)	(13,891,148)	(14,477,488)	-	(1,654,460)	(256,177,009)
Reversal of provision for impairment	-	-	91,558	-	-	-	-	91,558
Closing net book value	<u>310,478,784</u>	<u>217,045,964</u>	<u>626,276,478</u>	<u>32,268,438</u>	<u>46,384,190</u>	<u>188,243,573</u>	<u>19,282,358</u>	<u>1,439,979,785</u>
At 31 December 2012								
Cost	682,486,886	1,635,963,660	5,393,080,273	472,177,232	236,975,271	188,243,573	22,546,062	8,631,472,957
<u>Less</u> Accumulated depreciation	(368,699,357)	(1,412,610,904)	(4,601,078,979)	(433,501,179)	(190,239,083)	-	(3,263,704)	(7,009,393,206)
Accumulated provision for impairment	(3,308,745)	(6,306,792)	(165,724,816)	(6,407,615)	(351,998)	-	-	(182,099,966)
Net book value	<u>310,478,784</u>	<u>217,045,964</u>	<u>626,276,478</u>	<u>32,268,438</u>	<u>46,384,190</u>	<u>188,243,573</u>	<u>19,282,358</u>	<u>1,439,979,785</u>

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11 Property, plant and equipment (Cont'd)

	Company							Total Baht
	Land and land improvements Baht	Buildings Baht	Machinery and heavy equipment Baht	Equipment, furniture and fixtures Baht	Vehicles Baht	Building and machinery under constructions Baht	Mine Restoration assets Baht	
Year ended 31 December 2013								
Opening balance	310,478,784	217,045,964	626,276,478	32,268,438	46,384,190	188,243,573	19,282,358	1,439,979,785
Additions	-	-	-	5,255,243	-	286,089,840	70,653,745	361,998,828
Transfers	156,446,794	26,604,474	186,314,674	6,802,750	2,882,464	(379,051,156)	-	-
Disposals/ Written off	-	-	-	(14,913)	(147,424)	-	-	(162,337)
Reversal/ Provision for impairment	-	-	648,601	(1,294,119)	(5,242,171)	-	-	(5,887,689)
Depreciation expense	(13,537,357)	(42,136,410)	(174,488,556)	(10,190,277)	(14,607,550)	-	(6,152,404)	(261,112,554)
Closing net book value	<u>453,388,221</u>	<u>201,514,028</u>	<u>638,751,197</u>	<u>32,827,122</u>	<u>29,269,509</u>	<u>95,282,257</u>	<u>83,783,699</u>	<u>1,534,816,033</u>
At 31 December 2013								
Cost	838,933,680	1,662,568,134	5,560,907,614	481,880,986	230,233,002	95,282,257	93,199,807	8,963,005,480
<u>Less</u> Accumulated depreciation	(382,236,714)	(1,454,747,314)	(4,757,080,204)	(441,352,127)	(195,369,325)	-	(9,416,108)	(7,240,201,792)
Accumulated provision for impairment	(3,308,745)	(6,306,792)	(165,076,213)	(7,701,737)	(5,594,168)	-	-	(187,987,655)
Net book value	<u>453,388,221</u>	<u>201,514,028</u>	<u>638,751,197</u>	<u>32,827,122</u>	<u>29,269,509</u>	<u>95,282,257</u>	<u>83,783,699</u>	<u>1,534,816,033</u>

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11 Property, plant and equipment (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 fair value less costs to sell and value in use.

Changes in impairment provision movement are shown as follows:

	Consolidated		Company	
	2013	2012	2013	2012
	Baht	Baht	Baht	Baht
At 1 January	182,099,966	182,191,524	182,099,966	182,191,524
Provision/ (Reversal) for impairment	5,887,689	-	5,887,689	-
Reversal from written-off	-	(91,558)	-	(91,558)
At 31 December	<u>187,987,655</u>	<u>182,099,966</u>	<u>187,987,655</u>	<u>182,099,966</u>

The provision for impairment for the year ended 31 December 2013 related to equipment no longer in use.

12 Exploration and acquisition costs

Exploration and acquisition costs as at 31 December 2013 and 2012 comprise:

	Consolidated		Company	
	2013	2012	2013	2012
	Baht	Baht	Baht	Baht
<u>Exploration costs</u>				
At 1 January	1,107,747,753	1,101,677,245	81,820,424	81,723,668
Expenditure incurred during the year	2,840,063	6,070,508	2,840,063	96,756
Provisions for impairment of exploration costs	(1,101,966,637)	(182,985,811)	(76,039,308)	(76,039,308)
At 31 December	<u>8,621,179</u>	<u>924,761,942</u>	<u>8,621,179</u>	<u>5,781,116</u>
<u>Mining acquisition costs</u>				
Capitalised deferred cost				
Mining license				
At 1 January	60,000,000	60,000,000	60,000,000	60,000,000
Less Accumulated depletion	(60,000,000)	(60,000,000)	(60,000,000)	(60,000,000)
At 31 December	-	-	-	-
Land use compensation-net	12,066,617	16,088,868	12,066,617	16,088,868
Other capitalised expenditure-net	6,274,774	8,366,331	6,274,774	8,366,331
At 31 December	<u>18,341,391</u>	<u>24,455,199</u>	<u>18,341,391</u>	<u>24,455,199</u>

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12 Exploration and acquisition costs (Cont'd)

Mining acquisition costs (Cont'd)

	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
Concession operating right				
At 1 January	-	31,421,298	-	-
<u>Less</u> Amortisation	-	(8,694,384)	-	-
Provisions for impairment of exploration costs	-	(22,726,914)	-	-
At 31 December	-	-	-	-
Other capitalised cost				
At 1 January	-	28,603,963	-	-
<u>Add</u> Expenditure incurred during the year	-	-	-	-
<u>Less</u> Amortisation	-	(7,943,134)	-	-
Provisions for impairment of exploration costs	-	(20,660,829)	-	-
At 31 December	-	-	-	-
Total mining acquisition costs	18,341,391	24,455,199	18,341,391	24,455,199
Total (Note 12 (i-ii))	26,962,570	949,217,141	26,962,570	30,236,315

i) Exploration costs

Exploration costs primarily consist of costs incurred by the Company and its subsidiaries, Puthep Co., Ltd. ("Puthep") and Padaeng Industry (Laos) Co., Ltd. ("Padaeng Industry (Laos)"). At the date of these financial statements, certain 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 at which time they are expensed or capitalized as part of property, plant and equipment.

Padaeng Industry Public Company Limited

During 2012 following an assessment and review of the exploration costs in Lumphun, Phrae and Chiangmai province incurred by the Company concluded its studies and assessment and determined that no economically viable resource exists and has recognized a provision for impairment in the amount of Baht 76.0 million.

Puthep Co., Ltd.

As at 31 December 2013, the capitalized exploration and acquisition costs incurred by Puthep amount to Baht 926.3 million. The Company has concluded the assessment of the project's viability, situated in the Loei province, in North Eastern Thailand. Based on actualized assumptions for metal prices, investment and operating costs the viability of the project is confirmed. However, obtaining mining operation permits remains a major hurdle, due to the increasing general public concerns with respect to mining in Thailand and more specific the Loei region. Furthermore, because of these permitting risks, attempts to sell the project to a third party have failed. Consequently, Puthep has decided to cease any further activities and has recognized a provision for impairment of the capitalized exploration costs in the amount of Baht 926.3 million. Puthep will remain dormant until further notice.

12 Exploration and acquisition costs (Cont'd)

i) Exploration costs (Cont'd)

Padaeng Industry (Laos) Co., Ltd.

In October 2006, the Company through its subsidiary Padaeng Industry (Laos) signed a 5-year exploration agreement with the Department of Mines and Geology of Lao PDR expiring 27 October 2011, for the purposes of exploring and producing resources containing Zinc. As at 31 December 2013, the total amount of exploration costs capitalized amounted to Baht 106.8 million. Although, the exploration agreement with the Lao PDR has been extended to 27 October 2014, the Company's management concluded that significant expenditures and alternative expensive drilling methods currently not used by the company would be required to strengthen the assessment of the project's commercial viability. Consequently the company has ceased all exploration activities and has recognized a provision for impairment with respect to the exploration costs capitalized. Moreover, the Company has decided to start the selling process of the project to interested third parties.

ii) Concession operating right and other capitalised cost

South East Asia Metals Co., Ltd.

On 4 September 2009, South East Asia Metals Co., Ltd. ("SEAMET"), a subsidiary of Padaeng Properties Co., Ltd., has entered into a Concession Operation Agreement with Mayflower Mining Enterprises Ltd. ("MME"), registered in the Union of Myanmar. Under this agreement, SEAMET has obtained the operating rights of a mining concession owned by MME.

In 2011, SEAMET entered into a service agreement related to a mining operation in the Union of Myanmar with Mali Mining & Metallurgy Pte. Ltd., ("Mali"). Under the terms of the service agreement, Mali was to receive Baht 120 million following the successful exploration and development of the area. This transaction was approved by the Padaeng Industry's shareholders at the Ordinary Shareholders' Meeting on 27 April 2011. On 31 December 2012, SEAMET and Mayflower signed a termination agreement to stop further operations as the exploration activities did not identify any commercially recoverable resource. Therefore, the company has written off all costs capitalized in the amount of Baht 43 million.

In 2013, SEAMET entered into a sales contract with one customer as a seller of zinc product. SEAMET posted a sales turnover of Baht 20.6 million in 2013.

13 Deferred income taxes

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2013</u> <u>Baht</u>	<u>2012</u> <u>Baht</u>	<u>2013</u> <u>Baht</u>	<u>2012</u> <u>Baht</u>
Deferred tax assets:				
Deferred tax assets to be recovered within 12 months	-	-	-	-
Deferred tax assets to be recovered after 12 months	114,596,606	-	-	-
	<u>114,596,606</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities:				
Deferred tax liabilities to be recovered within 12 months	-	-	-	-
Deferred tax liabilities to be recovered after 12 months	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax assets – net	<u>114,596,606</u>	<u>-</u>	<u>-</u>	<u>-</u>

Padaeng Industry Public Company Limited
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13 Deferred income taxes (Cont'd)

The gross movement and the deferred income tax account is as follows:

	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
At 1 January	-	-	-	-
Exchange differences				
Charged/(credited) to profit or loss	(114,596,606)	-	-	-
Tax charged/(credited) directly to equity	-	-	-	-
At 31 December	<u>(114,596,606)</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Provision for impairment of exploration costs	
	Consolidated Baht	Company Baht
Deferred tax assets		
At 1 January 2013		
Charged/(credited) to profit or loss	(114,596,606)	-
(Credited) directly to equity	-	-
At 31 December 2013	<u>(114,596,606)</u>	<u>-</u>
At 1 January 2012		
Charged/(credited) to profit or loss	-	-
(Credited) directly to equity	-	-
At 31 December 2012	<u>-</u>	<u>-</u>

Deferred income tax assets are recognised for tax loss and carry forwards only to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Company has unrecognised tax losses of Baht 256.28 million (2012: Baht 11.99 million), to carry forward against future taxable income; these tax losses will expire in 2018.

14 Other non-current assets

Other non-current assets as at 31 December 2013 and 2012 comprise:

i) Deferred environmental rehabilitation expenses-net

	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
At 1 January	23,820,625	25,246,380	23,820,625	25,246,380
Additions	3,657,106	4,730,967	3,657,106	4,730,967
Closing book amount	27,477,731	29,977,347	27,477,731	29,977,347
<u>Less</u> Amortisation expense	<u>(6,288,125)</u>	<u>(6,156,722)</u>	<u>(6,288,125)</u>	<u>(6,156,722)</u>
At 31 December	<u>21,189,606</u>	<u>23,820,625</u>	<u>21,189,606</u>	<u>23,820,625</u>

Deferred environmental rehabilitation expense represents the estimated costs incurred to restore mine sites to their original condition.

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14 Other non-current assets (Cont'd)

ii) Deferred environmental risk assurance expenses-net

	Consolidated		Company	
	2013	2012	2013	2012
	Baht	Baht	Baht	Baht
At 1 January	16,359,563	19,205,548	16,359,563	19,205,548
Additions	851,284	1,296,565	851,284	1,296,565
Closing book amount	17,210,847	20,502,113	17,210,847	20,502,113
<u>Less</u> Amortisation expense	(4,165,561)	(4,142,550)	(4,165,561)	(4,142,550)
At 31 December	<u>13,045,286</u>	<u>16,359,563</u>	<u>13,045,286</u>	<u>16,359,563</u>

Deferred risk assurance costs related to payments to be made to the local communities in which the Group operates for future environmental rehabilitation activities and are amortised over the life of the related mining licenses.

iii) Others

	Consolidated		Company	
	2013	2012	2013	2012
	Baht	Baht	Baht	Baht
Deposits and installment payments for condominium units	74,932,723	74,932,723	-	-
<u>Less</u> Allowance for doubtful accounts	(74,932,723)	(74,932,723)	-	-
Total	-	-	-	-
Capitalised software				
At 1 January	1,794,984	2,872,378	1,700,412	2,690,146
Additions	-	945,344	-	945,344
Closing book amount	1,794,984	3,817,722	1,573,313	3,635,490
<u>Less</u> Amortisation expense	(1,022,955)	(2,022,738)	(953,570)	(1,935,078)
At 31 December	<u>772,029</u>	<u>1,794,984</u>	<u>746,843</u>	<u>1,700,412</u>
Others	1,915,626	6,569,222	1,794,626	6,412,622
Total	<u>2,687,655</u>	<u>8,364,206</u>	<u>2,541,469</u>	<u>8,113,034</u>

A subsidiary has provided an allowance of Baht 74.9 million against deposits and installment payments for certain condominium units whose construction was suspended due to unfavourable economic conditions.

The Company also has general investments which are invested in third parties in the amount of Baht 14.4 million that have been fully written down in value.

15 Short-term loans from financial institutions

Short-term loans from financial institutions as at 31 December 2013 and 2012 comprise:

	Consolidated		Company	
	2013	2012	2013	2012
	Baht	Baht	Baht	Baht
Trust Receipts	826,635,779	811,988,641	826,635,779	811,988,641

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 trust receipts is in the range of 0.95% - 1.12% per annum.

Financing arrangements available

	Consolidated		Company	
	2013	2012	2013	2012
	in million	in million	in million	in million
	Baht	Baht	Baht	Baht
Bank Overdraft	60	60	60	60
Short-term Loans	2,739	2,968	2,739	2,968
Bank Guarantee	1,329	1,309	1,326	1,306
Total	4,128	4,337	4,125	4,334

16 Bank guarantees

As at 31 December 2013, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 408.40 million (2012: Baht 433.14 million).

17 Provisions for restoration and rehabilitation expenses

	Consolidated		Company	
	2013	2012	2013	2012
	Baht	Baht	Baht	Baht
At 1 January	104,268,637	96,320,858	104,268,637	96,320,858
Accretion expense	88,139,160	22,776,618	88,139,160	22,776,618
Amounts utilised	(11,196,606)	(14,828,839)	(11,196,606)	(14,828,839)
At 31 December	181,211,191	104,268,637	181,211,191	104,268,637

The provision for restoration and rehabilitation costs represents amounts provided for the estimated costs of restoration of cadmium and residue ponds at Tak as well as rehabilitation and environmental risk assurance of the mined area in the Mae Sod in accordance with the government regulations and the Company's commitments. The estimated costs of decommissioning mine properties and residual ponds and removing any related assets and site restoration are included in the cost of restoration and rehabilitation assets as at the date of the obligation first arises in conjunction with a related liability in the same amount of provision. This restoration asset is subsequently amortized on a unit-of-production basis. For environmental rehabilitation and environmental risk assurance assets, they are subsequently amortized on a straight-line basis. Accretion expense is recognized to reflect the change in present value of the liability initially recognized using the Company's weighted average cost of capital.

18 Employee benefit obligations

The amounts recognised in the statements of financial position are determined as follows:

	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
At 1 January	128,057,175	118,147,530	126,313,275	116,826,930
Current service cost	7,703,887	7,010,253	7,068,985	6,586,953
Interest cost	5,334,398	6,556,320	5,334,398	6,556,320
Benefits paid	(27,662,661)	(22,257,369)	(27,662,661)	(22,257,369)
Actuarial (gain)/ loss	(7,929,871)	18,600,441	(7,929,871)	18,600,441
At 31 December	105,502,928	128,057,175	103,124,126	126,313,275

The amounts recognised in the statements of comprehensive income are as follows:

	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
Current service cost	7,703,887	7,010,253	7,068,985	6,586,953
Interest cost	5,334,398	6,556,320	5,334,398	6,556,320
Actuarial (gain)/ loss	(7,929,871)	18,600,441	(7,929,871)	18,600,441
Total	5,108,414	32,167,014	4,473,512	31,743,714

The principal actuarial assumptions used were as follows:

	Consolidated		Company	
	2013 (Percent)	2012 (Percent)	2013 (Percent)	2012 (Percent)
Discount rate	4.3	4.3	4.3	4.3
Salary increase rate	5.7	5.7	5.7	5.7
Turnover rate	0-15	0-15	0-15	0-15

The Company recognises the costs of employee retirement benefits payable in accordance with Thai Labour Law. The amount of retirement benefits are recorded based on the projected unit credit method by an actuarial valuation completed using end of period employee wages, turnover rates, retirement ages, mortality, length of service and other factors. All actuarial gains and losses following changes in actuarial assumptions of post employment defined benefit plans are recognised through equity in the year of occurrence.

19 Other current liabilities

Other current liabilities as of 31 December 2013 and 2012 comprise:

	Consolidated		Company	
	2013 Baht	2012 Baht Restated	2013 Baht	2012 Baht Restated
Accrued expenses	39,976,189	42,363,419	37,367,530	41,616,295
Social security and other taxes	5,908,938	9,343,955	4,203,165	8,744,686
Sales advances	498,145	21,319,327	148,705	20,969,887
Other payables	38,703,168	59,173,737	38,380,029	60,485,684
Total	85,086,440	132,200,438	80,099,429	131,816,552

20 Commitments

As at 31 December 2013 and 2012, the Company has the following commitments for the acquisition of plant and equipment that have been contracted but not recorded as liabilities:

	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
Not later than 1 year	23,789,277	94,291,322	23,789,277	94,291,322

As at 31 December 2013 and 2012, the Company has the following commitments for the purchase of raw materials that have been contracted but not recorded as liabilities:

	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
Not later than 1 year	186,262,829	349,542,534	186,262,829	349,542,534

In addition, as at 31 December 2013, the Company has contracted for the purchase of raw materials that contained zinc units of approximately 1,400 tonnes (2012: 8,979 tonnes).

21 Share capital and premium on share capital

	Number of shares	Ordinary shares Baht	Shares premium Baht	Total Baht
For the year ended 31 December 2013				
At 1 January	226,000,000	2,260,000,000	602,413,600	2,862,413,600
Movement during the year	-	-	-	-
At 31 December	226,000,000	2,260,000,000	602,413,600	2,862,413,600

As at 31 December 2013, the total authorised number of ordinary shares is 226,000,000 shares (2012: 226,000,000 shares) with a par value of Baht 10 per share (2012: Baht 10 per share). All issued shares are fully paid.

22 Legal reserve

	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
At 1 January	226,000,000	226,000,000	226,000,000	226,000,000
Appropriation during the year	-	-	-	-
At 31 December	226,000,000	226,000,000	226,000,000	226,000,000

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.

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23 Expenses by nature

The following expenditures items, classified by nature, have been charged in arriving at the operating (loss) profit:

	Consolidated		Company	
	2013	2012	2013	2012
	Baht	Baht	Baht	Baht
Movement in inventories	(204,798,146)	(819,862,623)	(204,798,146)	(819,862,623)
Raw materials, spare parts and consumables used	3,379,493,159	4,127,244,322	3,379,493,159	4,127,244,322
Employee benefits expense	476,061,899	517,473,790	468,938,655	510,583,345
Utility expenses	1,205,158,374	1,461,509,232	1,204,367,738	1,460,863,598
Depreciation and amortisation expenses	278,967,387	300,118,325	278,506,520	282,938,743
Exploration costs written-down (Note 12 (i))	926,283,470	226,373,554	-	76,039,308

24 Income tax expense

	Consolidated		Company	
	2013	2012	2013	2012
	Baht	Baht	Baht	Baht
Current tax:				
Current tax on profits for the year	276,766	705,540	-	-
Adjustments in respect of prior year	-	-	-	-
Total current tax	276,766	705,540	-	-
Deferred tax:				
Origination and reversal of temporary differences	(114,596,606)	-	-	-
Impact of change in tax rate	-	-	-	-
Total deferred tax	(114,596,606)	-	-	-
Total tax expense (income)	(114,319,840)	705,540	-	-

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the country of the company as follows:

	Consolidated		Company	
	2013	2012	2013	2012
	Baht	Baht	Baht	Baht
		Restated		Restated
Loss before corporate income tax	(1,047,249,338)	(574,958,948)	(242,650,647)	(507,754,250)
Tax calculated at a tax rate of 20% (2012 - 23%)	(209,449,868)	(132,240,558)	(48,530,129)	(116,783,478)
Tax effect of:				
Associates' results reported net of tax	-	-	-	-
Income not subject to tax	-	-	-	-
Expenses not deductible for tax				
Purpose	1,684,915	13,967,581	1,684,915	2,757,183
Deferred tax assets unrecognised	77,345,483	62,889,716	32,852,204	63,586,124
Tax losses for which no deferred income tax asset was recognised	16,099,630	56,559,657	13,993,010	50,911,027
Re-measurement of deferred tax				
- change in tax rate	-	-	-	-
Adjustment in respect of prior year (Note 5)	-	(470,856)	-	(470,856)
Corporate income tax	(114,319,840)	705,540	-	-

The weighted average applicable tax rate was -10.92% (2012: 0%).

25 Dividend

At the Board of Directors Meeting held on 18 February 2014, Board of Directors approved the dividend payment from retained earnings of the Company of Baht 0.30 per share totaling Baht 67.80 million (2012: no dividend). This will be submitted for final approval at the Annual General Shareholders Meeting.

26 Basic loss per share

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

	Consolidated		Company	
	2013	2012	2013	2012
Net loss attributable to ordinary shareholders of the company (Baht)	(530,062,239)	(569,356,625)	(242,650,647)	(507,754,250)
Weighted average number of ordinary shares outstanding (shares)	226,000,000	226,000,000	226,000,000	226,000,000
Basic loss per share (Baht)	(2.35)	(2.52)	(1.07)	(2.25)

There are no potential dilutive ordinary shares in issue for the years ended 31 December 2013 and 2012.

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27 Related parties transactions

i) Investments in related parties

Details of investments in subsidiaries and jointly controlled entity are as follows:

	31 December 2013				31 December 2012			
	Consolidated	Company			Consolidated	Company		
	Equity	Paid-up	%	Cost	Equity	Paid-up	%	Cost
	Baht	capital	ownership	Baht	Baht	capital	ownership	Baht
		Baht	investment	Baht		Baht	investment	Baht
Subsidiaries								
Padaeng Properties Co., Ltd.	-	80,000,000	100	80,000,000	-	80,000,000	100	80,000,000
Puthep Co., Ltd.	-	285,589,732	51	145,650,772	-	285,589,732	51	145,650,772
Padaeng Industry (Laos) Co., Ltd.	-	27,563,113	100	27,563,113	-	27,569,653	100	27,569,653
Padaeng International Mining Co., Ltd.	-	100,000	100	100,000	-	100,000	100	100,000
Ton Sangkasi Pte Ltd.	-	246,700	100	246,700	-	246,700	100	246,700
Total				253,560,585	-			253,567,125
Less Diminution								
Puthep Co., Ltd.	-			(145,650,772)	-			-
Padaeng Industry (Laos) Co., Ltd.	-			(27,563,113)	-			(27,569,653)
Padaeng International Mining Co., Ltd.	-			(100,000)	-			(100,000)
Ton Sangkasi Pte Ltd.	-			(246,700)	-			(246,700)
Investments in subsidiaries-net	-			80,000,000	-			225,650,772

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

Jointly controlled entity

Maesod Clean Energy Co., Ltd.	55,790,538	675,000,000	35	236,249,800	69,939,097	675,000,000	35	236,249,800
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Maesod Clean Energy Co., Ltd. is incorporated in Thailand.

Padaeng Industry Public Company Limited
Notes to the consolidated and company financial statements
For the year ended 31 December 2013

27 Related parties transactions (Cont'd)

i) Investments in related parties (Cont'd)

	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
At 1 January	69,939,097	94,192,819	461,900,572	469,501,823
Share of loss from jointly controlled entity	(14,148,559)	(24,253,722)	-	-
Diminution in value of investment	-	-	(145,650,772)	(7,601,251)
At 31 December	<u>55,790,538</u>	<u>69,939,097</u>	<u>316,249,800</u>	<u>461,900,572</u>

Subsidiaries

As at 31 December 2013, Padaeng Industry (Laos) has total authorised share capital of USD 1,273,000 of which USD 797,000 has been issued and paid up. The current investment value of Padaeng Industry (Laos) in the Company's books net of diminution in value in investment is zero (2012: Zero).

As at 31 December 2013, Puthep holds a total authorized share capital of 4,606,286 shares (31 December 2012: 4,606,286 shares) outstanding for a cumulative amount of Baht 377,102,615 (31 December 2012: Baht 377,102,615). The investment value of Puthep has been fully impaired in 2013.

SEAMET has entered into a service agreement related to a mining operation in the Union of Myanmar with Mali Mining & Metallurgy Pte. Ltd. The details regarding the service agreement are explained in the Note 12(ii).

On 18 January 2011, Ton Sangkasi Pte Ltd., a Singapore registered company was incorporated with capital of SGD 10,000 which has been solely subscribed by the Company. As at 31 December 2013, the investment value of Ton Sangkasi Pte Ltd., has been fully impaired.

Jointly controlled entity

On 9 October 2006, Maesod Clean Energy Co., Ltd. ("MCE") was created together with MP Energy Co., Ltd. and Thai Oil Public Company Limited. The jointly controlled entity produce ethanol as an alternative energy source. As at 31 December 2013, MCE has 67,500,000 shares authorised and outstanding. The Company has subscribed to a total of 23,625,000 shares in MCE for a 35% interest.

Under the terms of a loan agreement dated 9 September 2011, signed by the Company and its partners with MCE, the Company provided to MCE a Baht 105 million loan on 5 October 2011. After a period of one year from the date of the agreement, the Company may convert this loan into equity of MCE. To date the Company has not exercised this provision. The loan carries an interest rate of 4.2% per annum.

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27 Related parties transactions (Cont'd)

i) Investments in related parties (Cont'd)

Jointly controlled entity (Cont'd)

The following amounts represent certain selected financial statement as at and for the years ended 31 December 2013 and 2012 of MCE:

	2013 in thousand Baht	2012 in thousand Baht
Property, plant and equipment	1,541,565	1,674,345
Current assets	682,600	790,124
Non-current assets	1,481	2,354
Total assets	2,225,646	2,466,823
Long-term borrowing	835,000	1,070,000
Current liabilities	1,231,244	1,196,996
Total liabilities	2,066,244	2,266,996
Net assets	159,402	199,827
Revenues	1,529,105	1,143,153
Expenses	(1,569,529)	(1,214,151)
Net loss for the year	(40,424)	(70,998)

As at 31 December 2013, there are no contingent liabilities relating to the Company's interest in the jointly controlled entity.

ii) Sales of goods and services

For the years ended 31 December	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
Sales of goods and services:				
Padaeng Properties Co., Ltd.	-	-	1,037,520	1,037,520
South East Asia Metals Co., Ltd.	-	-	20,632,480	-
Padaeng Industry (Loas) Co., Ltd.	-	-	-	3,217,450
Puthep Co., Ltd.	-	-	316,680	316,680

Sales to related parties are based on current industry market practices and prices.

iii) Purchases of goods and services

For the years ended 31 December	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	5,538,679	5,669,692

Purchases from related party are based on current industry market practices and prices.

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27 Related parties transactions (Cont'd)

iv) Trade accounts receivable-related parties

For the years ended 31 December	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
Sales of goods:				
South East Asia Metals Co., Ltd.	-	-	14,926,497	-
<u>Less</u> Allowance for doubtful accounts	-	-	-	-
Trade accounts receivable -related parties-net	-	-	14,926,497	-

v) Other receivables-related parties

	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
Padaeng Properties Co., Ltd.	-	-	90,202	357,702
Padaeng Industry (Laos) Co., Ltd.	-	-	37,202,463	37,202,463
Puthep Co., Ltd.	-	-	-	26,390
Padaeng International Mining Co., Ltd.	-	-	147,705	136,913
Total	-	-	37,440,370	37,723,468
<u>Less</u> Allowance for doubtful accounts	-	-	(37,350,168)	(37,339,376)
Other receivables-related parties-net	-	-	90,202	384,092

vi) Advances to related parties

	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
Padaeng Industry (Laos) Co., Ltd.	-	-	85,966,110	84,243,416
Padaeng International Mining Co., Ltd.	-	-	572,300	532,300
Ton Sangkasi Pte Ltd.	-	-	12,528,558	12,278,558
Total	-	-	99,066,968	97,054,274
<u>Less</u> Allowance for doubtful accounts	-	-	(99,066,968)	(97,054,274)
Advance to related parties-net	-	-	-	-

Advance from the Company in the amount of Baht 85,966,110 represents an advance for share subscription payment in Padaeng Industry (Laos).

As at 31 December 2013, advance to the related entities have been fully provided against because as noted in Note 12, exploration activities in these entities have not resulted in economically viable projects.

vii) Other payables-related party

	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
Padaeng Properties Co., Ltd.	-	-	668,362	482,287
Total	-	-	668,362	482,287

27 Related parties transactions (Cont'd)

viii) Key management compensation

The compensation paid or payable to key management for employee services for the year ended 31 December 2013 and 2012 is shown below:

	Consolidated		Company	
	2013	2012	2013	2012
	Baht	Baht	Baht	Baht
Short-term employee benefits	35,367,900	41,153,000	35,367,900	41,153,000
Post-employee benefits and termination benefits	5,029,560	16,709,548	5,029,560	16,709,548
Total	40,397,460	57,862,548	40,397,460	57,862,548

ix) Long-term loan from other party

Under the terms of a Loan Agreement between Puthep and PNA (Puthep) dated 15 August 2008 and executed in March 2009, PNA (Puthep) agreed to advance funds necessary to complete a feasibility study for the Puthep copper project. The loan amount is in addition to equity funding of USD 6,000,000 or Baht 216,492,547 received from PNA (Puthep). Interest on principal amounts advanced under the Loan Agreement are calculated based on best commercial rates available for PNA (Puthep) and are to be capitalised. Under the terms of the loan, interest expense ceased since January 2012. Under the arrangements Puthep is not obliged to make loan repayments until such time as it has generated sufficient profits to commence making repayments at which time it will then commence to be equal to 35% of distributable net profits of the company, see Note 12 (i).

	Consolidated		Company	
	2013	2012	2013	2012
	Baht	Baht	Baht	Baht
PNA (Puthep) Pty Ltd.				
At 1 January	494,322,650	486,145,263	-	-
Loan increase during the year	9,519,090	8,177,387	-	-
At 31 December	<u>503,841,740</u>	<u>494,322,650</u>	<u>-</u>	<u>-</u>
Accrued interest expenses	<u>69,141,292</u>	<u>69,141,292</u>	<u>-</u>	<u>-</u>

28 Risk management policy for assets and liabilities

28.1 Risk management

Price risk

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 total sales and to the purchases of imported raw materials, spare parts and capital equipment. The Company normally uses spot and forward foreign exchange contracts to reduce the exposure to adverse fluctuations in foreign exchange rates.

The Company is also exposed to risk resulting from fluctuations in commodity prices. The Company currently engages in transactional hedging with the purpose of mitigating price exposure from the difference in timing between purchased raw material and finished product sales. Any settlement gains or losses realized from hedging arrangements are recorded against the corresponding revenue or cost of purchases as appropriate.

28 Risk management policy for assets and liabilities (Cont'd)

28.1 Risk management (Cont'd)

Price risk (Cont'd)

As at 31 December 2013, the balance of forward foreign exchange contracts outstanding was total sales contracts of USD 30,718,194 and EUR 456,000 and total buy contracts of USD 12,919,417. The change in fair value of outstanding are Baht 6,239,592 unfavorable and unrealized.

As at 31 December 2013, total sales contracts of 11,425 metric tons of zinc and 100 metric tons of aluminums and a total buy contracts of 8,975 metric tons of zinc and 200 metric tons of aluminums on the London Metal Exchange are outstanding for both transactional and strategic hedge. The change in fair value of these open positions amount to USD 1,185,428 or Baht 38,909,303 and favorable. These fair values reflect the mark to market values of the contracts at the prevailing period end rates for similar contracts. These positions will be offset by committed and priced physical purchases and sales contracts. The operations carried out on the future markets for hedging transactional risks as described are not of a speculative nature.

Fair values of financial derivative instruments as at the date of financial position are as follows:

	Consolidated and Company	
	2013	2012
	Baht	Baht
Financial instruments of foreign currency exchange rate		
Favourable (Unfavourable) total sales contracts	(17,832,133)	2,992,487
Favourable (Unfavourable) total buy contracts	11,592,541	(394,210)
Financial instruments of commodity products		
Favourable (Unfavourable) total zinc contracts	39,678,904	29,073,086
Favourable (Unfavourable) total aluminium contracts	(769,601)	-

Credit risk

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in a financial loss to the Company. As a general rule, the Company has a credit risk management policy of obtaining credit insurance or collateral from the customers before commencing trade. The collateral may include bank guarantees or cash guarantees. The remaining Company's credit risk is spread amongst several customers. The maximum exposure to credit risk at the reporting date is the carrying amount of each receivable.

Interest rate risk

Interest rate risk in the statement of financial position 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.

28.2 Fair values

The carrying amounts at the financial statements date of cash and cash equivalents, trade accounts receivable, short-term loans to related parties, other current assets, certain other assets, loans from financial institutions, trade accounts payable, short-term loans and advances from other parties, accrued interest expenses, accrued electricity expenses, royalty payable and other current liabilities approximate their fair values.

28 Risk management policy for assets and liabilities (Cont'd)

28.3 Exploration risk

In order to maintain a supply base for its smelter, the Company and some of its subsidiaries are performing exploration activities. These expenses are capitalised and eventually impaired as explained in Note 12 of these financial statements. The current increased level of activity is likely to generate higher level of exploration costs capitalised than in the previous year increasing the impact of the impairments. Regular assessments by the management, once sufficient reliable data have been collected and compiled, should lower both uncertainty and risk level related to the recoverability of these costs.

29 Litigation

As of 31 December 2013, the Company has been served notice of five complaints by 1,141 plaintiffs filed in the Bangkok Southern Civil Court. The plaintiffs are seeking compensation of Baht 3,969 million from the Company alleging that it caused cadmium contamination in the Mae Sod district of the Tak province. The Company has filed answers to all the claims as ordered by the Court.

On 20 September 2013, the Bangkok South Civil Court read a judgment on the first case against the Company and Tak Mining Company Limited of the Black Case No. 66/2552, filed by a group of villagers (a total of 207 villagers) in the Mae Tao basin, Mae Sot District, Tak Province. The accusation being that the mining operations of both companies caused cadmium contamination in the area. The villagers have claimed over Baht 726 million as damages to compensate 1) Plaintiffs who obtained a Cadmium patients' card from the Mae Sod Hospital, 2) Plaintiffs who claimed that they were unable to use the land for agriculture, 3) Plaintiffs who claimed of losing their jobs, 4) Plaintiffs who were scared of cadmium contamination, compensation for loss of culture and traditional living. The Company and Tak Mining have been also requested by the plaintiffs to pay Baht 50 million and 3 percent of the Company's profit to the Risk Insured Fund and to improve quality of lives and environment as well as restore the environment under at the cost of the Company and Tak Mining.

The court judgment on the above case ordered the Company and Tak Mining to pay a compensation of Baht 9.2 million only to villagers who hold the cadmium patient's card from the Mae Sod Hospital. The Company and Tak Mining are equally responsible for this compensation. For other Plaintiffs who claimed to have been damaged from the contamination, the Court gives a judgment to dismiss all claims because they were not able to prove that there were such damages claimed.

The Company has studied the stated court judgment in detail and will appeal the court order accordingly.

The other 4 complaints are pending for the court preceding, in which, the Company is confident that its strict environmental measures are in line with the regulations and requirements of the authorities. Management intends to defend the case vigorously. At that stage, the outcome of the proceedings is unknown. However, for prudence purpose, contingent liability amount of Baht 27 million, has been recorded for these 5 complaints.

On 26 October 2010, the Company received Letter from the of Industry ordering it to perform, within 180 days, an additional Environmental and Health Impact Assessment ("EHIA") in compliance with instructions from the Ministry of Natural Resources and Environment. Failure to do so would cause the revocation of the latest mining concession.

The Company objects to the legality of that order and lodged a Complaint by the Central Administrative Court in January 2011. The case is still pending for the court consideration as at 31 December 2013 and the outcome of the courts views are currently unknown.