

PADAENG INDUSTRY PUBLIC COMPANY LIMITED

**CONSOLIDATED AND COMPANY
FINANCIAL STATEMENTS**

31 DECEMBER 2006

AUDITOR'S REPORT

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

I have audited the accompanying consolidated and company balance sheets as of 31 December 2006 and 31 December 2005, and the related consolidated and company statements of income, changes in shareholders' equity and cash flows for the years then ended of Padaeng Industry Public Company Limited and its subsidiaries (the "Group"), and of Padaeng Industry Public Company Limited (the "Company"), respectively. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position as at 31 December 2006 and 31 December 2005, and the consolidated and company results of operations, and cash flows for the years then ended of the Group and the Company, respectively, in accordance with generally accepted accounting principles.

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

Bangkok
16 February 2007

Padaeng Industry Public Company Limited

Balance Sheets

As at 31 December 2006 and 2005

	Notes	Consolidated		Company	
		2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Assets					
<u>Current assets</u>					
Cash and cash equivalents	4	754,250,926	600,395,622	590,160,663	568,843,310
Deposits (with LME brokers)	5	591,772,404	121,314,837	591,772,404	121,314,837
Trade accounts receivables-net					
- other parties	6	604,559,281	241,744,163	596,883,258	235,211,850
- related parties	27 (iv)	29,635,296	51,345,585	32,130,690	54,143,601
Short-term loans and advances to related parties-net	27 (v)	2,449,000	-	2,379,748	1,848,263
Inventories-net	7	3,225,595,978	1,528,612,615	3,225,595,978	1,528,612,615
Value Added Tax receivables		74,697,849	49,265,663	74,625,615	46,152,125
Other current assets	8	27,310,118	18,373,230	26,934,042	17,860,532
Total current assets		5,310,270,852	2,611,051,715	5,140,482,398	2,573,987,133
<u>Non-current assets</u>					
Investments in related companies-net	9, 27(i)	17,157,754	-	248,100,772	230,600,772
Property, plant and equipment-net	10	2,095,342,498	2,248,200,005	2,098,510,769	2,251,245,733
Exploration and acquisition costs	11	312,000,629	306,219,748	104,998,853	100,130,543
Other non-current assets	12	6,057,527	6,057,527	6,002,527	6,002,527
Total non-current assets		2,430,558,408	2,560,477,280	2,457,612,921	2,587,979,575
Total assets		7,740,829,260	5,171,528,995	7,598,095,319	5,161,966,708

Director.....

Director.....

The notes to the consolidated and company financial statements on pages 9 to 31 are integral part of these financial statements.

Padaeng Industry Public Company Limited
Balance Sheets
As at 31 December 2006 and 2005

	Notes	Consolidated		Company	
		2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Liabilities and shareholders' equity					
<u>Current liabilities</u>					
Loans from financial institutions	13	1,163,921,339	175,719,606	1,163,921,339	175,719,606
Trade accounts payables					
- other parties		432,259,820	223,154,352	431,457,345	222,610,236
- related parties	27(iv)	11,432,928	5,964,825	11,589,374	6,028,377
Current portion of long-term loans	15	80,000,000	467,500,000	80,000,000	467,500,000
Current portion of hire purchase payables		1,919,873	1,919,873	1,919,873	1,919,873
Advance from related parties	27(vi)	224,000	2,951,967	-	-
Short-term loans from related parties	27(vii)	-	-	50,000,000	180,000,000
Accrued interest expenses					
- other parties		4,582,679	1,187,096	4,582,679	1,187,096
- related parties	27(vii)	-	-	167,808	166,438
Accrued electricity expenses		182,156,037	160,437,037	182,156,037	160,437,037
Royalty payable		293,435,347	177,847,780	293,435,347	177,847,780
Other current liabilities	14	448,192,811	252,014,186	439,232,312	244,099,250
Total current liabilities		2,618,124,834	1,468,696,722	2,658,462,114	1,637,515,693
<u>Non-current liabilities</u>					
Long-term loans	15	-	80,000,000	-	80,000,000
Provisions for restoration expenses	16	10,948,433	26,681,935	10,948,433	25,173,612
Provision for employee termination/retirement benefits	17	76,029,550	60,804,526	76,029,550	60,804,526
Others non-current liabilities		14,705,731	18,670,571	14,705,731	18,670,571
Total non-current liabilities		101,683,714	186,157,032	101,683,714	184,648,709
Total liabilities		2,719,808,548	1,654,853,754	2,760,145,828	1,822,164,402
<u>Shareholders' equity</u>					
Share capital					
Authorized share capital					
226,000,000 ordinary shares of Baht 10 each	18	2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Issued and paid-up share capital					
226,000,000 ordinary shares of Baht 10 each, fully paid		2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Premium on share capital		602,413,600	602,413,600	602,413,600	602,413,600
Retained earnings					
Appropriated legal reserve	19	125,461,639	37,486,820	125,461,639	37,486,820
Unappropriated retained earnings		1,985,686,934	569,685,839	1,850,074,252	439,901,886
Total Company shareholders' equity		4,973,562,173	3,469,586,259	4,837,949,491	3,339,802,306
Minority interests		47,458,539	47,088,982	-	-
Total shareholders' equity		5,021,020,712	3,516,675,241	4,837,949,491	3,339,802,306
Total liabilities and shareholders' equity		7,740,829,260	5,171,528,995	7,598,095,319	5,161,966,708

The notes to the consolidated and company financial statements on pages 9 to 31 are integral part of these financial statements.

Padaeng Industry Public Company Limited
Statements of income
For the years ended 31 December 2006 and 2005

	Notes	Consolidated		Company	
		2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Revenues from sales and services	29	10,305,000,774	6,150,696,571	10,289,381,530	6,138,518,881
Cost of sales and services		(7,621,853,555)	(4,848,440,585)	(7,613,371,097)	(4,844,404,656)
Gross profit		2,683,147,219	1,302,255,986	2,676,010,433	1,294,114,225
Selling and administrative expenses	20	(617,313,348)	(503,899,129)	(615,996,993)	(506,554,813)
Royalty expenses		(358,479,457)	(226,449,236)	(358,479,457)	(226,449,236)
Profit from sales and services		1,707,354,414	571,907,621	1,701,533,983	561,110,176
Other revenues		20,591,386	12,450,145	20,429,092	10,731,572
Gain (loss) on exchange rate		67,865,800	1,525,217	68,160,264	1,443,449
Inventory revaluation gain	7	3,380,947	4,858,811	3,380,947	4,858,811
Dividend income		-	-	499,613	-
Impairment expenses	10	(4,707,297)	(5,581,400)	(4,707,297)	(5,581,400)
Directors' remuneration		(15,617,419)	(4,522,063)	(15,167,419)	(4,522,063)
Other expenses		(636,480)	(386,990)	(636,480)	(386,990)
Profit from operations		1,778,231,351	580,251,341	1,773,492,703	567,653,555
Share of loss of investment in jointly controlled entity on equity method	9	(342,246)	-	-	-
Profit before finance costs and corporate income tax		1,777,889,105	580,251,341	1,773,492,703	567,653,555
Finance costs-net	22	(9,395,385)	(16,256,469)	(13,996,326)	(16,674,530)
Profit before corporate income Tax		1,768,493,720	563,994,872	1,759,496,377	550,979,025
Corporate Income Tax		(2,390,283)	(1,576,065)	-	-
Profit before allocation to minorities		1,766,103,437	562,418,807	1,759,496,377	550,979,025
Profit attributable to minorities		(778,331)	(1,074,525)	-	-
Net profit for the year		1,765,325,106	561,344,282	1,759,496,377	550,979,025
Earnings per share					
Net profit for the year	23	7.81	2.48	7.79	2.44

The notes to the consolidated and company financial statements on pages 9 to 31 are integral part of these financial statements.

Padaeng Industry Public Company Limited
Statements of changes in shareholders' equity
For the years ended 31 December 2006 and 2005

	Notes	Consolidated					Total Baht
		Issued and paid up share capital Baht	Premium on share capital Baht	Retained earnings		Minority interest Baht	
				Appropriated legal reserve Baht	Unappropriated Baht		
Beginning balance as at 1 January 2006		2,260,000,000	602,413,600	37,486,820	569,685,839	47,088,982	3,516,675,241
Appropriated legal reserve	19	-	-	87,974,819	(87,974,819)	-	-
Actuarial loss recognised in equity	17	-	-	-	(12,749,192)	-	(12,749,192)
Net profit		-	-	-	1,765,325,106	778,331	1,766,103,437
Dividends paid	21, 27 (i)	-	-	-	(248,600,000)	(408,774)	(249,008,774)
Ending balance as at 31 December 2006		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>125,461,639</u>	<u>1,985,686,934</u>	<u>47,458,539</u>	<u>5,021,020,712</u>

	Notes	Consolidated					Total Baht
		Issued and paid up share capital Baht	Premium on share capital Baht	Retained earnings		Minority interest Baht	
				Appropriated legal reserve Baht	Unappropriated Baht		
Beginning balance as at 1 January 2005		2,260,000,000	602,413,600	9,791,560	126,436,817	3,842,742	3,002,484,719
Appropriated legal reserve	19	-	-	27,695,260	(27,695,260)	-	-
Increase in share capital		-	-	-	-	42,171,715	42,171,715
Net profit		-	-	-	561,344,282	1,074,525	562,418,807
Dividends paid	21	-	-	-	(90,400,000)	-	(90,400,000)
Ending balance as at 31 December 2005		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>37,486,820</u>	<u>569,685,839</u>	<u>47,088,982</u>	<u>3,516,675,241</u>

The notes to the consolidated and company financial statements on pages 9 to 31 are integral part of these financial statements.

Padaeng Industry Public Company Limited
Statements of changes in shareholders' equity
For the years ended 31 December 2006 and 2005

	Notes	Company					Total
		Issued and paid up share capital Baht	Premium on share capital Baht	Retained earnings		Minority interest Baht	
				Appropriated legal reserve Baht	Unappropriated Baht		
Beginning balance as at 1 January 2006		2,260,000,000	602,413,600	37,486,820	568,308,920	-	3,468,209,340
Retrospective adjustments	3.2	-	-	-	(128,407,034)	-	(128,407,034)
Beginning balance after restatement		2,260,000,000	602,413,600	37,486,820	439,901,886	-	3,339,802,306
Appropriated legal reserve	19	-	-	87,974,819	(87,974,819)	-	-
Actuarial loss recognised in equity	17	-	-	-	(12,749,192)	-	(12,749,192)
Net profit		-	-	-	1,759,496,377	-	1,759,496,377
Dividends paid	21	-	-	-	(248,600,000)	-	(248,600,000)
Ending balance as at 31 December 2006		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>125,461,639</u>	<u>1,850,074,252</u>	-	<u>4,837,949,491</u>

	Notes	Company					Total
		Issued and paid up share capital Baht	Premium on share capital Baht	Retained earnings		Minority interest Baht	
				Appropriated legal reserve Baht	Unappropriated Baht		
Beginning balance as at 1 January 2005		2,260,000,000	602,413,600	9,791,560	135,425,155	-	3,007,630,315
Retrospective adjustments	3.2	-	-	-	(128,407,034)	-	(128,407,034)
Beginning balance after restatement		2,260,000,000	602,413,600	9,791,560	7,018,121	-	2,879,223,281
Appropriated legal reserve	19	-	-	27,695,260	(27,695,260)	-	-
Net profit after restatement	3.2	-	-	-	550,979,025	-	550,979,025
Dividends paid	21	-	-	-	(90,400,000)	-	(90,400,000)
Ending balance as at 31 December 2005 (Restated)		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>37,486,820</u>	<u>439,901,886</u>	-	<u>3,339,802,306</u>

The notes to the consolidated and company financial statements on pages 9 to 31 are integral part of these financial statements.

Padaeng Industry Public Company Limited
Statements of cash flows
For the years ended 31 December 2006 and 2005

	Notes	Consolidated		Company	
		2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Cash flows from operating activities					
Net profit		1,765,325,106	561,344,282	1,759,496,377	550,979,025
Items to reconcile net income to net cash:					
Share of loss from jointly controlled entity	9	342,246	-	-	-
Allowance for doubtful debts - trade accounts receivables (reversal)					
- other parties		(1,047,948)	(1,066,296)	-	-
- related parties		-	-	-	11,390,294
Allowance for shortage, slow-moving and obsolete stocks (reversal)	7	(3,380,947)	(4,858,811)	(3,380,947)	(4,858,811)
Allowance for unrecoverable interest and advances to suppliers	8	2,630,327	39,635,411	2,630,327	39,635,411
Provision for employee termination/retirement benefits	17	2,475,832	2,990,052	2,475,832	2,990,052
Provision for annual leave		600,000	2,403,690	600,000	2,403,690
Amortization of deferred gain on hire purchases		(1,531,119)	(1,531,119)	(1,531,119)	(1,531,119)
Diminution of investment in subsidiary	9	-	-	3,824,808	-
Depreciation expenses	10	338,239,364	336,267,102	337,986,198	336,017,392
Gain on disposal of property, plant and equipment		(3,510,524)	(1,758,594)	(3,350,309)	(1,758,594)
Impairment expenses	10	4,707,297	5,581,400	4,707,297	5,581,400
Property, plant and equipment written-off	10	2,827,842	248,029	2,827,842	248,029
Other assets written-down	11	12,706,159	12,213,470	12,706,159	12,213,470
Other assets amortization expenses		12,961,708	12,901,884	12,961,708	12,901,884
Provision for restoration expenses (use of)	16	(15,733,502)	5,138,571	(14,225,179)	3,630,248
Unrealized loss (gain) on foreign currency exchange		4,335,178	(717,226)	4,335,178	(717,226)
Minority interest in net profit of subsidiaries		778,331	1,074,525	-	-
Cash flows from operations before changes in operating assets and liabilities		2,122,725,350	969,866,370	2,122,064,172	969,125,145
Operating assets (increase) decrease					
Trade accounts receivables					
- other parties		(358,320,344)	(5,523,991)	(357,719,116)	(7,056,799)
- related parties		21,710,289	(28,739,809)	22,012,911	(30,948,431)
Short-term loans to related parties		-	-	(531,485)	(2,377,333)
Inventories		(1,693,602,416)	(216,635,256)	(1,693,602,416)	(216,692,980)
Value Added Tax receivables		(25,432,186)	46,036,593	(28,473,490)	49,118,970
Other current assets		(11,061,749)	25,636,613	(11,703,837)	25,874,666
Other non-current assets		-	9,074,815	-	9,074,815
Operating liabilities increase (decrease)					
Trade accounts payables					
- other parties		215,783,157	(189,227,154)	215,524,797	(189,758,538)
- related parties		5,468,103	5,150,844	5,560,997	5,104,686
Accrued interest expenses					
- other parties		3,395,583	(677,748)	3,395,583	(677,748)
- related parties	27(vii)	-	-	1,370	8,630
Advances from related parties	27(vi)	(2,727,967)	2,951,967	-	-
Accrued electricity expenses		21,719,000	(26,504,545)	21,719,000	(26,504,545)
Royalty payable		115,587,567	55,739,199	115,587,567	55,739,199
Other current liabilities		188,304,454	107,356,835	187,258,892	108,704,820
Other non-current liabilities		(869,395)	15,575,126	(869,395)	15,575,126
Net cash provided by operating activities		602,679,446	770,079,859	600,225,550	764,309,683

The notes to the consolidated and company financial statements on pages 9 to 31 are integral part of these financial statements.

Padaeng Industry Public Company Limited
Statements of cash flows (Cont'd)
For the years ended 31 December 2006 and 2005

	Notes	Consolidated		Company	
		2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
<u>Cash flows from investing activities</u>					
Cash invested in subsidiaries	27(i)	-	-	(3,824,808)	-
Cash invested in jointly controlled entity	27(i)	(17,500,000)	-	(17,500,000)	-
Cash paid for land compensation		-	(11,061,405)	-	(11,061,405)
Cash paid for purchase of property, plant and equipment	10	(194,673,834)	(164,284,068)	(194,542,211)	(164,268,811)
Cash received from sales of property, plant and equipment		5,267,362	2,840,622	5,106,147	2,840,622
Cash paid for exploration and acquisition costs		(31,448,748)	(54,302,776)	(30,536,177)	(12,131,061)
Net cash used in investing activities		(238,355,220)	(226,807,627)	(241,297,049)	(184,620,655)
<u>Cash flows from financing activities</u>					
Deposit (with LME brokers)		(489,533,213)	(121,314,837)	(489,533,213)	(121,314,837)
Increase (decrease) in loans from financial institution		999,362,124	(108,099,635)	999,362,124	(108,099,635)
Increase in short-term loans to related parties	27(v)	(2,449,000)	-	-	-
Increase (decrease) in short-term loans from related parties	27(vii)	-	-	(130,000,000)	90,000,000
Dividends payment		(247,252,315)	(90,239,264)	(246,843,541)	(90,239,264)
Payment on long-term borrowings	15	(467,500,000)	(102,500,000)	(467,500,000)	(102,500,000)
Account payable hire purchase payment		(3,095,445)	(4,572,481)	(3,095,445)	(4,572,481)
Proceeds from increase in share capital of subsidiaries		-	42,171,715	-	-
Net cash used in financing activities		(210,467,849)	(384,554,502)	(337,610,075)	(336,726,217)
Effects from changes in exchange rate for cash and cash equivalents		(1,073)	788	(1,073)	788
Net increase in cash and cash equivalents		153,855,304	158,718,518	21,317,353	242,963,599
Cash and cash equivalents at beginning of the year		600,395,622	441,677,104	568,843,310	325,879,711
Cash and cash equivalents at end of the year		754,250,926	600,395,622	590,160,663	568,843,310
Supplementary information for statements of cash flows					
Cash paid during the year:					
Interest paid		54,423,551	21,220,045	55,619,338	21,668,810
Tax paid		1,745,012	1,066,130	282,422	199,283

The notes to the consolidated and company financial statements on pages 9 to 31 are integral part of these financial statements.

1. General Information

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

Bangkok. The Company operates a silicate mine and a zinc smelter located in Tak Province and a calcine plant located in Rayong Province.

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

Company	Principal activities
Padaeng Industry Public Co., Ltd.	Mining and refining of zinc, the main products are zinc ingot and zinc alloy
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)
Sila Enterprise Co., Ltd.	Distribution of limestones
South East Asia Metals Co., Ltd.	Distribution of various base metals and their by-products
Jointly controlled entity	Principal activities
Maesod Clean Energy Co.,Ltd.	Production and distribution of ethanol (project).

During the year 2006, the Company employed 850 employees (2005: 766 employees).

These consolidated and company financial statements have been approved for issue by the Board of Directors on 16 February 2007.

2. Approval of mining licenses

The Company is in the process of completing the procedures needed to apply for the renewal of its principle mining lease that will expire in October 2007. The Mine Application files have been submitted and are presently being reviewed by the appropriate government departments. While the Company is confident that the Mining Lease will be renewed on time, the process of obtaining the license is lengthy and complex and may result in the risk that the licenses will not be approved as of their expiration date in October 2007. It should be noted that the Company has continued to receive approval from the relevant departments for several exploration licenses that were pending since last year and has resumed its normal exploration program. The Company has confirmed sufficient raw materials including imported concentrates and silicates will be in place to ensure continued operation of its smelter facilities beyond October 2007.

3. Significant Accounting Policies

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

3.1 Basis of preparation

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

The accounting principles applied may differ from Generally Accepted Accounting Principles adopted in other countries and jurisdictions. The accompanying consolidated and company financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Thailand. Consequently, these consolidated and company financial statements are only addressed to those who are informed about Thai generally accepted accounting principles and practices.

3. Significant Accounting Policies (Cont'd)

3.1 Basis of preparation (Cont'd)

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

An English version of the consolidated and company financial statements have 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.

3.2 Changes in Accounting Policy

In 2006, the Company early adopted TAS 44 (as amended in 2006) - "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" and TAS 45 (as amended in 2006) - "Accounting for Investments in Associates" that will be effected on January 1, 2007. Under the standards, investments in subsidiaries and associates in the separate financial statements of the Company are required to be accounted using the cost basis of accounting. Income from the investments will be recorded when dividends are declared. Prior to 2006, the Company used the equity method to record its share of income from the investments in subsidiaries. This change in accounting policy has been applied retrospectively and has also been applied to the Company's investments in jointly controlled entities.

The effects of the adoption of TAS 44 and TAS 45 in 2006 on the separate financial statements are as shown below;

	2006	2005
	Baht	Baht
(Decrease) in investment in subsidiaries and jointly controlled entity	(135,166,418)	(131,333,207)
(Decrease) in beginning retained earnings	(131,333,207)	(128,407,034)
(Decrease) in net profit for the year	(3,833,211)	(2,926,173)
(Decrease) in basic earnings per share	(0.02)	(0.01)

3.3 Use of estimates

The preparation of financial statements in conformity with Thai Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual result may differ from those estimates.

3.4 Revenue recognition

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

3.5 Cash and cash equivalents

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

3.6 Trade accounts receivables

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

3. Significant Accounting Policies (Cont'd)

3.7 Inventories

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

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

3.8 Investments in subsidiaries and jointly controlled entity

Investments in subsidiaries and jointly controlled entity are accounted for in the Company separate financial statements by using the cost method. Subsidiaries are those entities over which the Company has over 50% of the voting rights, or over which the Company exercises control. When necessary, provisions are recorded for any impairment in value of these

The Company's interest in jointly controlled entity is accounted for in consolidated financial statements by the equity method.

3.9 Consolidation

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

3.10 Related companies

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

3.11 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 the materials, direct labour and other expenses attributable to the construction which are allocated to the assets on a systematic basis. Property, plant and equipment, except land, are presented in the balance sheet at cost less accumulated depreciation. Land is not depreciated.

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

	<u>Years</u>
Land improvements	5-20
Buildings	20 - 25
Machinery and heavy equipments	8-20
Equipments, furnitures and fixtures	5
Vehicles	5
Other structures	8-25

3. Significant Accounting Policies (Cont'd)

3.11 Property, plant and equipment (Cont'd)

Residue ponds are amortised on units of production basis using the capacity volume of the residue ponds.

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

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

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

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

3.12 Exploration costs

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

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

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

Expenditures which no longer satisfy the above policy are written-off or an allowance is provided against 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 costs are amortised using the straight line basis over the period that it is expected to provide economic benefits. Mining concession fees and capitalized expenses have an estimated useful life of 5 to 16 years and are depreciated accordingly or over the life of the mine, whichever is shorter.

3.13 Environmental restoration costs

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

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

3.14 Provisions

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

3.15 Deferred income taxes

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

3. Significant Accounting Policies (Cont'd)

3.16 Foreign currency transactions

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

3.17 Financial instruments

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

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

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

3.18 Provision for employee termination/retirement benefits

The Company recognises the costs of employee termination/retirement benefits payable in accordance with Thai Labor law. The amount of termination/retirement benefits are recorded based on an actuarial valuation completed 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 period which they occur. The effect of adoption of this policy is shown in Note 17.

4. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2006 and 2005 comprise:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2006</u> <u>Baht</u>	<u>2005</u> <u>Baht</u>	<u>2006</u> <u>Baht</u>	<u>Restated</u> <u>2005</u> <u>Baht</u>
Cash on hands and deposits with banks	406,764,225	600,395,622	390,442,463	568,843,310
Bill of exchange	347,486,701	-	199,718,200	-
Total	<u>754,250,926</u>	<u>600,395,622</u>	<u>590,160,663</u>	<u>568,843,310</u>

The average interest rates on deposits and short-term investments are in the range of 0.25% - 4.93% (2005: 0.25% - 3.55%).

5. Deposit

The Company has on deposit Baht 591.8 million with commodity brokers to support the Company's hedging activities on the London Metal Exchange. The Company earns the prevailing short-term market interest rate on these US dollar deposits (see Note 30).

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6. Trade accounts receivable-net

	<u>Consolidated</u>		<u>Company</u>	
	2006	2005	2006	Restated
	Baht	Baht	Baht	2005
				Baht
Trade accounts receivable	604,605,362	242,894,492	596,883,258	235,211,850
<u>Less: Allowance for doubtful accounts</u>	<u>(46,081)</u>	<u>(1,150,329)</u>	<u>-</u>	<u>-</u>
Trade accounts receivable - net	<u>604,559,281</u>	<u>241,744,163</u>	<u>596,883,258</u>	<u>235,211,850</u>

7. Inventories - net

	<u>Consolidated</u>		<u>Company</u>	
	2006	2005	2006	Restated
	Baht	Baht	Baht	2005
				Baht
Raw materials	1,411,972,556	853,331,805	1,411,972,556	853,331,805
Spare parts and consumables	215,510,882	243,007,464	215,510,882	243,007,464
Goods in transit	11,135,206	2,405,399	11,135,206	2,405,399
Work in process	984,816,432	234,447,785	984,816,432	234,447,785
Finished goods	630,566,075	227,206,282	630,566,075	227,206,282
	<u>3,254,001,151</u>	<u>1,560,398,735</u>	<u>3,254,001,151</u>	<u>1,560,398,735</u>
<u>Less : Allowance for obsolete and slow moving inventories</u>	<u>(28,405,173)</u>	<u>(31,786,120)</u>	<u>(28,405,173)</u>	<u>(31,786,120)</u>
Inventories - net	<u>3,225,595,978</u>	<u>1,528,612,615</u>	<u>3,225,595,978</u>	<u>1,528,612,615</u>

8. Other current assets

	<u>Consolidated</u>		<u>Company</u>	
	2006	2005	2006	Restated
	Baht	Baht	Baht	2005
				Baht
Advances to supplier				
- principal	35,071,032	35,071,032	35,071,032	35,071,032
- interest	7,194,707	4,564,379	7,194,707	4,564,379
Others	27,310,118	18,373,230	26,934,042	17,860,532
	<u>69,575,857</u>	<u>58,008,641</u>	<u>69,199,781</u>	<u>57,495,943</u>
<u>Less: Allowance for doubtful accounts</u>	<u>(42,265,739)</u>	<u>(39,635,411)</u>	<u>(42,265,739)</u>	<u>(39,635,411)</u>
Total	<u>27,310,118</u>	<u>18,373,230</u>	<u>26,934,042</u>	<u>17,860,532</u>

9. Investments in related companies-net

	<u>Consolidated</u>		<u>Company</u>	
	2006	2005	2006	Restated
	Baht	Baht	Baht	2005
				Baht
Subsidiaries and jointly controlled entity				
Opening net book amount	-	-	230,600,772	358,934,364
Retrospective adjustments	-	-	-	(128,407,034)
Opening net book amount after restatement	-	-	230,600,772	230,527,330
Increase in share capital (Note 27 (i))	17,500,000	-	21,324,808	73,442
Share of result in jointly controlled entity	(342,246)	-	-	-
Diminution of investments (Note 27 (i))	-	-	(3,824,808)	-
Closing net book amount	<u>17,157,754</u>	<u>-</u>	<u>248,100,772</u>	<u>230,600,772</u>

Cost variation of principal subsidiaries are shown in Note 27(i).

According to announcement of the Federation of Accounting Professions on 11 October 2006, the Company changed its accounting policy of investments in subsidiaries and jointly controlled entity from the equity method to cost method. The impact of this change on the Company 2005 separate financial statements resulted in a reduction in the carrying value of Baht 128.4 million. The details relating to the adoption of this policy is shown in Note 3.2.

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10. Property, plant and equipment-net

	Consolidated							Total
	Land and	Buildings	Machinery	Equipments,	Vehicles	Other	Building and	
	land		and heavy	furnitures,		structures	machinery	
improvements	Baht	equipments	and fixtures	Baht	Baht	under	Baht	
At 31 December 2005								
Net book amount	439,481,236	562,114,155	1,111,712,281	33,716,288	47,279,971	4,682,120	49,213,954	2,248,200,005
Year ended 31 December 2006								
Opening balance	439,481,236	562,114,155	1,111,712,281	33,716,288	47,279,971	4,682,120	49,213,954	2,248,200,005
Additions	-	-	-	1,820,174	-	-	192,853,660	194,673,834
Transfers	3,811,954	11,288,339	146,476,197	17,798,518	30,734,921	1,196,798	(211,306,727)	-
Disposals	-	-	(5)	(5,631)	(1,751,202)	-	-	(1,756,838)
Write-offs	-	-	-	(2,827,840)	(2)	-	-	(2,827,842)
Closing book amount	443,293,190	573,402,494	1,258,188,473	50,501,509	76,263,688	5,878,918	30,760,887	2,438,289,159
<u>Less: Depreciation expense</u>	(17,922,141)	(71,584,534)	(211,811,676)	(17,647,330)	(14,543,516)	(4,730,167)	-	(338,239,364)
Provision for impairment (former) released	-	-	(7,515,768)	2,808,471	-	-	-	(4,707,297)
Closing net book amount	425,371,049	501,817,960	1,038,861,029	35,662,650	61,720,172	1,148,751	30,760,887	2,095,342,498
At 31 December 2006								
Cost	678,166,529	1,578,551,569	4,632,252,590	372,068,356	203,256,895	32,107,493	30,760,887	7,527,164,319
<u>Less: Accumulated depreciation</u>	(249,486,736)	(1,076,621,223)	(3,421,232,514)	(335,028,486)	(141,092,066)	(30,958,742)	-	(5,254,419,767)
Accumulated provision for impairment	(3,308,744)	(112,386)	(172,159,047)	(1,377,220)	(444,657)	-	-	(177,402,054)
Net book amount	425,371,049	501,817,960	1,038,861,029	35,662,650	61,720,172	1,148,751	30,760,887	2,095,342,498

Fully depreciated property, plant and equipment still in use included in cost as at 31 December 2006 amount to Baht 1,707 million (2005: Baht 1,631 million).

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

	Company							Total
	Land and	Buildings	Machinery	Equipments,	Vehicles	Other	Building and	
	land		and heavy	furnitures,		structures	machinery	
improvements	Baht	equipment	and fixtures	Baht	Baht	under	Baht	
Restated at 31 December 2005								
Net book amount	442,991,174	562,114,155	1,111,712,281	33,502,773	47,029,276	4,682,120	49,213,954	2,251,245,733
Year ended 31 December 2006								
Opening balance	442,991,174	562,114,155	1,111,712,281	33,502,773	47,029,276	4,682,120	49,213,954	2,251,245,733
Additions	-	-	-	1,688,551	-	-	192,853,660	194,542,211
Transfers	3,811,954	11,288,339	146,476,197	17,798,518	30,734,921	1,196,798	(211,306,727)	-
Disposals	-	-	(5)	(5,631)	(1,750,202)	-	-	(1,755,838)
Write-offs	-	-	-	(2,827,840)	(2)	-	-	(2,827,842)
Closing book amount	446,803,128	573,402,494	1,258,188,473	50,156,371	76,013,993	5,878,918	30,760,887	2,441,204,264
<u>Less: Depreciation expense</u>	(17,922,141)	(71,584,534)	(211,811,676)	(17,568,168)	(14,369,512)	(4,730,167)	-	(337,986,198)
Provision for impairment (former) released	-	-	(7,515,768)	2,808,471	-	-	-	(4,707,297)
Closing net book amount	428,880,987	501,817,960	1,038,861,029	35,396,674	61,644,481	1,148,751	30,760,887	2,098,510,769
At 31 December 2006								
Cost	681,676,467	1,578,551,569	4,632,252,590	370,352,586	202,125,279	32,107,493	30,760,887	7,527,826,871
<u>Less: Accumulated depreciation</u>	(249,486,736)	(1,076,621,223)	(3,421,232,514)	(333,578,692)	(140,036,141)	(30,958,742)	-	(5,251,914,048)
Accumulated provision for impairment	(3,308,744)	(112,386)	(172,159,047)	(1,377,220)	(444,657)	-	-	(177,402,054)
Net book amount	428,880,987	501,817,960	1,038,861,029	35,396,674	61,644,481	1,148,751	30,760,887	2,098,510,769

Fully depreciated property, plant and equipment still in use included in cost as at 31 December 2006 amount to Baht 1,707 million (2005: Baht 1,631 million).

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

Provision for asset impairment

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

Changes in impairment provision movement are shown as follows:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2006</u> <u>Baht</u>	<u>2005</u> <u>Baht</u>	<u>2006</u> <u>Baht</u>	<u>Restated</u> <u>2005</u> <u>Baht</u>
Opening balances	172,694,757	167,113,357	172,694,757	167,113,357
Provision for impairment	7,515,768	5,634,588	7,515,768	5,634,588
Reversal from disposals/write-off	(2,808,471)	(53,188)	(2,808,471)	(53,188)
Ending balances	<u>177,402,054</u>	<u>172,694,757</u>	<u>177,402,054</u>	<u>172,694,757</u>

11. Exploration and acquisition costs

Exploration and acquisition costs as at 31 December 2006 and 2005 comprise:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2006</u> <u>Baht</u>	<u>2005</u> <u>Baht</u>	<u>2006</u> <u>Baht</u>	<u>Restated</u> <u>2005</u> <u>Baht</u>
<u>Exploration costs</u>				
Opening balance for the year	217,223,984	175,134,679	28,121,289	28,203,698
Expenditure incurred during the year	30,940,249	54,302,775	30,027,678	12,131,061
Expenditure written-down	(12,706,159)	(12,213,470)	(12,706,159)	(12,213,470)
Ending balance for the year (Note 11 (i))	<u>235,458,074</u>	<u>217,223,984</u>	<u>45,442,808</u>	<u>28,121,289</u>
<u>Mining acquisition costs</u>				
Capitalized deferred cost				
Opening balance for the year	60,000,000	60,000,000	60,000,000	60,000,000
Accumulative depletion	(20,000,016)	(13,333,344)	(20,000,016)	(13,333,344)
Ending balance for the year	<u>39,999,984</u>	<u>46,666,656</u>	<u>39,999,984</u>	<u>46,666,656</u>
Special prospect license fee	16,986,510	16,986,510	-	-
Land use compensation	8,026,339	9,730,567	8,026,339	9,730,567
Other capitalized expenditure	11,529,722	15,612,031	11,529,722	15,612,031
Ending balance for the year	<u>76,542,555</u>	<u>88,995,764</u>	<u>59,556,045</u>	<u>72,009,254</u>
Total	<u>312,000,629</u>	<u>306,219,748</u>	<u>104,998,853</u>	<u>100,130,543</u>

i) Exploration costs

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

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

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11. Exploration and acquisition costs (Cont'd)

PNA completed the expenditure requirements of the First Earning Period of the Participation Agreement (USD 1 million or Baht 42 million) in April 2003 and has complied with all other requirements under the Participation Agreement. Accordingly, in June 2005, PNA obtained, through a capital increase, a 20.66% ownership interest in Puthep Co., Ltd. PNA must spend a further USD 1 million to attain approximately a further 15% interest in Puthep Co., Ltd.

The capitalized exploration costs incurred by Puthep Co., Ltd. amount to Baht 206 million. On 1 November 2006, the land access permits for completion Puthep's project feasibility study have been approved by the Royal Forestry Department (RFD), the permits have been provided to the Department of Primary Industry and Mine (DPIM) for acknowledgment and to obtain land access and conduct the complementary exploration and technical studies needed to confirm the feasibility of the project.

12. Other non-current assets

Other non-current assets as at 31 December 2006 and 2005 comprise:

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Deposits	774,311	774,311	719,311	719,311
Others	5,283,216	5,283,216	5,283,216	5,283,216
	<u>6,057,527</u>	<u>6,057,527</u>	<u>6,002,527</u>	<u>6,002,527</u>
Deposits and installment payments for condominium units	74,932,723	74,932,723	-	-
Less: Allowance for doubtful accounts	(74,932,723)	(74,932,723)	-	-
Total	<u>6,057,527</u>	<u>6,057,527</u>	<u>6,002,527</u>	<u>6,002,527</u>

Deposits and installment payment for condominium units

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

Others

The Company has other investments in the amount of Baht 14.4 million that have been fully written down in value.

13. Loans from financial institutions

Loans from financial institutions as at 31 December 2006 and 2005 comprise:

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Promissory Notes	-	175,719,606	-	175,719,606
Trust Receipts	1,163,921,339	-	1,163,921,339	-
Total	<u>1,163,921,339</u>	<u>175,719,606</u>	<u>1,163,921,339</u>	<u>175,719,606</u>

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 are in the range of 5.75% - 5.85% (2005: 5.22% - 5.25%).

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14. Other current liabilities

Other current liabilities as of 31 December 2006 and 2005 comprise:

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Accrued expenses	151,928,728	24,515,881	145,182,407	24,515,881
Accrued inventory purchases	200,979,094	164,582,245	200,979,094	164,582,245
Others	95,284,989	62,916,060	93,070,811	55,001,124
Total	<u>448,192,811</u>	<u>252,014,186</u>	<u>439,232,312</u>	<u>244,099,250</u>

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

15. Long-term loans

Long-term loans as at 31 December 2006 and 2005 comprise:

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Due within one year	80,000,000	467,500,000	80,000,000	467,500,000
More than one year	-	80,000,000	-	80,000,000
Total	<u>80,000,000</u>	<u>547,500,000</u>	<u>80,000,000</u>	<u>547,500,000</u>

The movements in the borrowings can be analyzed as follows:

For the year ended 31 December	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Opening amount	547,500,000	650,000,000	547,500,000	650,000,000
Repayment of loans	(467,500,000)	(102,500,000)	(467,500,000)	(102,500,000)
Closing amount	<u>80,000,000</u>	<u>547,500,000</u>	<u>80,000,000</u>	<u>547,500,000</u>

As at 31 December 2006, the Company has a unsecured long-term loan agreement with a local bank. This facility has been contracted at a market rate of interest which is 3%. This loan is repayable within 1 year.

i) Financing arrangements available

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Bank Overdraft	60,000,000	60,000,000	60,000,000	60,000,000
Short-term Loans	3,014,232,000	1,882,619,000	3,014,232,000	1,882,619,000
Bank Guarantee	906,462,000	568,873,000	906,462,000	568,873,000
Long-term Loans	200,000,000	650,000,000	200,000,000	650,000,000
Total	<u>4,180,694,000</u>	<u>3,161,492,000</u>	<u>4,180,694,000</u>	<u>3,161,492,000</u>

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15. Long-term loans (Cont'd)

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

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Short-term Loans				
Promissory Notes	-	175,719,606	-	175,719,606
Trust Receipts	1,163,921,339	-	1,163,921,339	-
Long-term Loans	80,000,000	547,500,000	80,000,000	547,500,000
Total	1,243,921,339	723,219,606	1,243,921,339	723,219,606

16. Provisions for restoration expenses

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Balance at the beginning of the year	26,681,935	21,543,364	25,173,612	21,543,364
Additional provisions charged to the statement of income	18,661,522	16,871,411	18,661,522	15,363,088
Amounts utilised	(34,395,024)	(11,732,840)	(32,886,701)	(11,732,840)
Balance at the end of the year	10,948,433	26,681,935	10,948,433	25,173,612

The provision for restoration costs represent amounts provided for the estimated costs of restoration of residual ponds at Tak and the tailing dam and rehabilitation of the mined area in Mae Sod in accordance with government regulations and company's commitments.

17. Provision for employee termination/retirement benefits

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Balance at the beginning of the year	60,804,526	57,814,474	60,804,526	57,814,474
Current period provision	8,318,232	8,244,672	8,318,232	8,244,672
Provision used	(5,842,400)	(5,254,620)	(5,842,400)	(5,254,620)
Actuarial loss recognised in equity	12,749,192	-	12,749,192	-
Balance at the end of the year	76,029,550	60,804,526	76,029,550	60,804,526

The Company recognises the costs of employee termination/retirement benefits payable in accordance with Thai Labor law. The amount of termination/retirement benefits are recorded based on an actuarial valuation completed 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 period which they occur as shown above.

18. Share capital and premium on share capital

	Number of shares	Ordinary shares Baht	Shares premium Baht	Total Baht
As at 31 December 2005	226,000,000	2,260,000,000	602,413,600	2,862,413,600
Movement during the year	-	-	-	-
As at 31 December 2006	226,000,000	2,260,000,000	602,413,600	2,862,413,600

As at 31 December 2006, the total authorized number of ordinary shares is 226,000,000 shares (2005: 226,000,000 shares) with a par value of Baht 10 per share (2005: Baht 10 per share). All issued shares are fully paid.

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19. Legal reserve

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Balance at the beginning of the year	37,486,820	9,791,560	37,486,820	9,791,560
Appropriation during the year	87,974,819	27,695,260	87,974,819	27,695,260
Balance at the end of the year	<u>125,461,639</u>	<u>37,486,820</u>	<u>125,461,639</u>	<u>37,486,820</u>

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

20. Selling and administrative expenses

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

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Plant expenses not allocated to cost of sales and services	151,558,011	160,129,343	151,558,011	160,129,343
Salaries, bonus and benefits to employees	222,141,092	100,573,578	219,596,037	98,153,671
Freight and transportation costs	66,747,851	78,249,000	66,747,851	77,554,955
Ethanol projects	37,605,583	-	37,605,583	-
Exploration field expenses and written-off capitalized expenses	20,830,291	14,482,780	20,830,291	14,482,780
Depreciation expenses	20,894,774	20,334,745	20,641,607	20,085,050
Bank guarantee fees	7,932,451	1,619,817	7,932,451	1,619,817
Write off receivable from related company	-	-	-	11,390,294
Bad debt expenses (reversal)	(1,047,948)	(1,066,296)	-	-
Allowance for doubtful account expenses (advance to supplier) (Note 8)	2,630,327	39,635,411	2,630,327	39,635,411
Provision for employee termination/retirement benefits (Note 17)	8,318,232	8,244,672	8,318,232	8,244,672
Diminution of investment in subsidiaries (Note 27(i))	-	-	3,824,808	-
Other expenses	79,702,684	81,696,079	76,311,795	75,258,820
	<u>617,313,348</u>	<u>503,899,129</u>	<u>615,996,993</u>	<u>506,554,813</u>

21. Dividends paid

At the Annual Ordinary General Meeting of Shareholders held on 26 April 2006, shareholders approved the annual dividend payment from net profit of the Company for the year ended 31 December 2005 of Baht 1.10 per share (2004: Baht 0.40 per share) totalling Baht 248.6 million (2004: totalling Baht 90.4 million). The dividend was paid on 24 May 2006.

22. Finance costs-net

Finance costs relate to the following:

For the year ended 31 December	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Interest income	51,790,957	9,992,961	48,387,174	10,032,297
Interest expense	(61,186,342)	(26,249,430)	(62,383,500)	(26,706,827)
Total finance costs-net	<u>(9,395,385)</u>	<u>(16,256,469)</u>	<u>(13,996,326)</u>	<u>(16,674,530)</u>

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23. Basic earnings per share

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

	<u>Consolidated</u>		<u>Company</u>	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
For the year ended 31 December				
Net profit attributable to common shareholders (Baht)	1,765,325,106	561,344,282	1,759,496,377	550,979,025
Weighted average number of ordinary shares on issue (shares)	226,000,000	226,000,000	226,000,000	226,000,000
Basic earnings per share (Baht)	7.81	2.48	7.79	2.44

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

24. Bank guarantees

As at 31 December 2006, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 1,031.25 million (2005: Baht 375.83 million).

25. Capital expenditures and commitments

As at 31 December 2006 and 2005, the Company has the following commitments for the acquisition of plant and equipment that have been contracted but not recorded as liabilities:

	<u>Consolidated</u>		<u>Company</u>	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Not later than 1 year	28,288,706	52,913,744	28,288,706	52,913,744
Later than 1 year	-	-	-	-
Total	28,288,706	52,913,744	28,288,706	52,913,744

As at 31 December 2006 and 2005, the Company has the following commitments for the purchase of inventories that have been contracted but not recorded as liabilities:

	<u>Consolidated</u>		<u>Company</u>	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Not later than 1 year	1,899,886,103	2,635,913,625	1,899,886,103	2,635,913,625
Later than 1 year	-	-	-	-
Total	1,899,886,103	2,635,913,625	1,899,886,103	2,635,913,625

26. Segment information

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

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27. Related party transactions

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

i) Investments in related companies - net

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

	Company			Company			Variation (Note 9)
	31 December 2006			31 December 2005 (Restated)			
	Paid up capital Baht	% ownership investment	Cost Baht	Paid up capital Baht	% ownership investment	Cost Baht	
Subsidiaries and jointly controlled entity							
Padaeng Properties Co., Ltd.	80,000,000	100	80,000,000	80,000,000	100	80,000,000	-
Puthep Co., Ltd.	183,575,800	79.34	145,650,772	183,575,800	79.34	145,650,772	-
Padaeng Industry (Laos) Co., Ltd.	8,824,808	100	8,824,808	5,000,000	100	5,000,000	3,824,808
Padaeng International Mining Co., Ltd.	100,000	100	100,000	100,000	100	100,000	-
Sila Enterprise Co., Ltd.	9,000,000	55	4,950,000	9,000,000	55	4,950,000	-
Maesod Clean Energy Co.,Ltd.	50,000,000	35	17,500,000	-	-	-	17,500,000
Total			257,025,580			235,700,772	21,324,808
<u>Less : Diminution</u>							
Padaeng Industry (Laos) Co., Ltd.			(8,824,808)			(5,000,000)	(3,824,808)
Padaeng International Mining Co., Ltd.			(100,000)			(100,000)	-
Investments in related companies - net			248,100,772			230,600,772	17,500,000

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

27. Related parties transactions (Cont'd)

i) Investments in related companies - net (Cont'd)

On 9 October 2006, Maesod Clean Energy Co.,Ltd. was created together with Petrogreen Co., Ltd. and Thai Oil Plc. The jointly controlled entity will produce ethanol as an alternative energy sources. The entity is consolidated under the equity

According to its commitments to restore its mine site upon depletion, in January 2006, the board of Padaeng Industry (Laos) Co., Ltd. passed a resolution to approve an increase in the authorised share capital of Padaeng Industry (Laos) Co.,Ltd. from USD 200,000 to USD 300,000 to cover cash flow requirements for the rehabilitation cost of the mine site and administrative expenses. The Board of Directors of Padaeng Industry Plc. approved the capital increase of Padaeng Industry (Laos) Co., Ltd. on 23 February 2006.

In August 2006, the board of Padaeng Industry (Laos) Co., Ltd. passed a resolution to approve an increase in the authorised share capital of Padaeng Industry (Laos) Co.,Ltd. from USD 300,000 to USD 1,273,000 to meet the expenses foreseen in the frame of the new exploration campaign in Laos.

As at 31 December 2006, Padaeng Industry Plc. paid USD 100,000 for the additional share capital. It should be noted that the Company has previously recorded a provision for diminution of investment in Padaeng Industry (Laos) Co., Ltd. for the full amount of its investment.

At the Annual General Meeting of shareholders of Sila Enterprise Co., Ltd. held on 30 April 2006, shareholders approved the annual dividend payment from net profit of the Company for the year ended 31 December 2005 of Baht 9,084 per shares totalling Baht 908,388, from which the minority share amount to Baht 408,774. The dividend was paid on 19 July 2006.

In August 2005, the Board of Directors passed a resolution to complete the liquidation process of Padaeng International Mining Co., Ltd. As at 31 December 2006, the actual liquidation has not yet commenced.

ii) Sales of goods and services

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Sales of goods and services:				
Sila Enterprise Co., Ltd.	-	-	10,909,499	10,066,304
Umicore	128,709,383	518,461,054	128,709,383	518,461,054
Umicore Marketing Services (Far East) Ltd.	5,971,157	-	5,971,157	-
Umicore Marketing Services (Thailand) Co., Ltd.	356,147,090	140,330,849	356,147,090	140,330,849

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

iii) Purchases of goods and services

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	1,700,407	1,386,714
Padaeng Industry (Laos) Co., Ltd.	-	-	892,714	3,595,455
Umicore	-	12,096,723	-	12,096,723
Umicore Marketing Services (Thailand) Co., Ltd.	59,116,287	38,597,361	59,116,287	38,597,361
Umicore Marketing Services (Far East) Ltd.	6,540,141	-	6,540,141	-
Umicore Australia Litimited	21,519,263	-	21,519,263	-
Umicore Engineering S.A.	-	1,673,003	-	1,673,003

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

27. Related parties transactions (Cont'd)

iv) Outstanding balances arising from sales/purchases of goods and services

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Receivables from related parties:				
Sila Enterprise Co., Ltd.	-	-	2,495,394	2,798,016
Umicore	-	32,401,827	-	32,401,827
Umicore Marketing Services (Malaysia) Co.,Ltd.	13,507,406	-	13,507,406	-
Umicore Marketing Services (Far East) Ltd.	3,472,611	-	3,472,611	-
Umicore Marketing Services (Thailand) Co.,Ltd.	12,655,279	18,943,758	12,655,279	18,943,758
Total	29,635,296	51,345,585	32,130,690	54,143,601

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Payables to related parties:				
Padaeng Properties Co., Ltd.	-	-	156,446	63,552
Umicore Australia Limited	5,543,615	-	5,543,615	-
Umicore	-	981,037	-	981,037
Umicore Marketing Services (Thailand) Co., Ltd.	5,889,313	4,983,788	5,889,313	4,983,788
Total	11,432,928	5,964,825	11,589,374	6,028,377

v) Short-term loans and advances to related parties - net

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
Padaeng Industry (Laos) Co., Ltd.	-	-	11,849,975	11,390,294
Puthep Co., Ltd.	-	-	1,650,063	1,650,063
Padaeng International Mining Co., Ltd.	-	-	316,604	244,800
Minority Shareholder of Sila Enterprise Co., Ltd.	2,449,000	-	-	-
	2,449,000	-	13,816,642	13,285,157
<u>Less:</u> Allowance for doubtful accounts	-	-	(11,436,894)	(11,436,894)
Short-term loans and advances to related parties - net	2,449,000	-	2,379,748	1,848,263

The outstanding balance from Padaeng Industry (Laos) Co., Ltd. totalling Baht 11.8 million mainly comprises a Baht 7.2 million loan which bears interest at a rate of MLR plus 5%. The balance remaining of Baht 4.6 million comprises advances and accrued interests. Since September 2005, the Company has stopped charging interest and set a full provision against the loans and advances as at 30 September 2005. See Note 27 (i).

In May 2006, Sila Enterprise Co., Ltd. contracted a short-term loans in favour of one of its minority shareholder. The loan amounts to Baht 2.4 million and was granted on 22 May 2006 at an interest rate of 0.75% per annum. As at 31 December 2006, Sila Enterprise Co., Ltd. has the interest receivable in amount of Baht 10,714 and all the interest will be paid on the principle repayment date which due on 31 October 2007.

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27. Related parties transactions (Cont'd)

vi) Advance from related parties

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
<u>PNA (Puthep) Pty Limited of Australia</u>				
Beginning balance of the year	2,951,967	-	-	-
Advance increase (decrease) during the year	(2,727,967)	2,951,967	-	-
Ending balance of the year	224,000	2,951,967	-	-

vii) Loans from related parties

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	Restated 2005 Baht
<u>South East Asia Metals Co., Ltd.</u>				
Beginning balance of the year	-	-	180,000,000	90,000,000
Loans increase (decrease) during the year	-	-	(130,000,000)	90,000,000
Ending balance of the year	-	-	50,000,000	180,000,000
Accrued interest expenses	-	-	167,808	166,438

As at 31 December 2006, the above mentioned loan from South East Asia Metals Co., Ltd. is an unsecured 1 month term promissory note at an interest rate of 4.38%.

28. Investment promotion certificates

The Company has been granted certain rights and privileges as a promoted industry under the Investment Promotion Act of B.E. 2520 (1977). Under these privileges, the Company has received 50% exemption from corporate income tax for a period of 5 years from the expiration date as specified in the certificate.

The following certificates are in force:

- Zinc Calcines and Sulphuric Acid: Investment Promotion certificate No. 1185/2536(1993)
- Zinc Ingot : Investment Promotion certificate No. 1575/2539 (1996)

As a promoted industry, the Company must comply with the terms and conditions as specified in the promotion certificates.

29. Revenue reporting of a promoted industry

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

For the year ended 31 December 2006	Company		
	Promoted business Baht	Non-Promoted business Baht	Total Baht
Income			
Income from export sales	-	518,252,391	518,252,391
Income from local sales	-	9,771,129,139	9,771,129,139
Total income from sales	-	10,289,381,530	10,289,381,530
Interest income	-	48,387,174	48,387,174
Other income	-	20,429,092	20,429,092
Dividend income	-	499,613	499,613
Total income	-	10,358,697,409	10,358,697,409

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

For the year ended 31 December 2005		Company (Restated)		
		Promoted business Baht	Non-Promoted business Baht	Total Baht
Income				
Income from export sales		-	842,914,315	842,914,315
Income from local sales		3,272,968	5,292,331,598	5,295,604,566
Total income from sales		3,272,968	6,135,245,913	6,138,518,881
Interest income		-	10,032,297	10,032,297
Other income		-	10,731,572	10,731,572
Total	income	3,272,968	6,156,009,782	6,159,282,750

30. Risk management policy for assets and liabilities

30.1 Significant assets and liabilities in foreign currencies

As at 31 December 2006:

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		USD	Baht	USD	Baht
Cash at banks	-	6,006	215,946	6,006	215,946
Accounts receivable-foreign	7-20	5,508,879	198,074,508	5,508,879	198,074,508
Deposits (with LME brokers)		16,454,350	591,772,404	16,454,350	591,772,404
Unrealized forward exchange contract payables	3-60	28,421,745	1,024,747,904	28,421,745	1,024,747,904
Unrealized forward exchange contract receivables	3-350	17,972,640	647,994,929	17,972,640	647,994,929
Trust Receipts/Promissory Notes	5-66	25,383,301	919,657,318	25,383,301	919,657,318
Accounts payables	30-60	9,388,653	340,158,402	9,388,653	340,158,402
Realized forward exchange contract payables for zinc metal price	30	2,629,375	108,637,710	2,629,375	108,637,710
Realized forward exchange contract receivables for zinc metal price	30	2,629,375	93,721,204	2,629,375	93,721,204
	Term of payment (days)	Amount		Amount	
		EUR	Baht	EUR	Baht
Forward contract receivables (Buy)	30	30,166	1,436,223	30,166	1,436,223
	Term of payment (days)	Amount		Amount	
		AUD	Baht	AUD	Baht
Accounts payables	30	14,330	412,739	14,330	412,739

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

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

As at 31 December 2005:

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		USD	Baht	USD	Baht
Cash at banks	-	5,863	240,273	5,863	240,273
Accounts receivable-foreign	15	1,964,743	80,520,270	1,964,743	80,520,270
Deposits (with LME brokers)		2,960,155	121,314,837	2,960,155	121,314,837
Unrealized forward exchange contract payables	30-120	3,228,556	132,528,934	3,228,556	132,528,934
Unrealized forward exchange contract receivables	30-120	2,935,908	120,639,626	2,935,908	120,639,626
Trust Receipts/Promissory Notes	30-130	4,246,549	174,849,956	4,246,549	174,849,956
Accounts payables	30-90	3,080,127	126,822,997	3,080,127	126,822,997
Realized forward exchange contract payables for zinc metal price	30	6,071,450	236,729,822	6,071,450	236,729,822
Realized forward exchange contract receivables for zinc metal price	30	6,071,450	249,812,954	6,071,450	249,812,954
	Term of receipt/ payment (days)	Amount		Amount	
		EUR	Baht	EUR	Baht
Forward contract receivables (Buy)	30-60	55,851	2,712,768	55,851	2,712,768
Accounts payables	30-90	46,978	2,299,577	46,978	2,299,577
	Term of Payment (days)	Amount		Amount	
		SGD	Baht	SGD	Baht
Accounts payables	30-90	594	14,747	594	14,747
	Term of Payment (days)	Amount		Amount	
		AUD	Baht	AUD	Baht
Accounts payables	30-90	22,849	693,624	22,849	693,624
	Term of Payment (days)	Amount		Amount	
		GBP	Baht	GBP	Baht
Accounts payables	30-90	7,280	517,991	7,280	517,991

Foreign currency amounts are translated by using the reference rate quoted by the Bank of Thailand as at 31 December 2006 and 2005, respectively.

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

30.2 Risk Management and hedging instruments

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

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

In 2005 until early January 2006, a total of 30,000 metric tons of zinc forward contracts have been entered into relating to cash flows to be realized in 2006 at an average price of Baht 58,511 per metric ton and a total of 19,950 metric tons of zinc forward contracts have been entered into relating to cash flows to be realized in 2007 at an average price of Baht 68,673 per metric ton.

At the end of the year, a balance of 19,950 metric ton of unsettled metal forward sales remained priced at a contractual average of USD 1,661 per metric ton which will be settled through purchases from the London Metals Exchange in 2007. The total contract value of these unsettled metal forward contracts at 31 December 2006 is USD 33.1 million.

Also at 31 December 2006, 19,950 metric tons of unsettled metal forwards purchases remained at a closing average of USD 4,161 per metric tons. The value of these unpriced forward contracts at period end are estimated at USD 83.0 million. As at the end of the year, the change in fair value of these forward (purchase and sales) contracts is USD 49.9 million unfavorable.

	Consolidated		Company	
	Amount		Amount	
Contract values	USD	Baht	USD	Baht
As at 31 December 2006:				
For off balance sheet contracts				
Forward contract payables for zinc metal price (Forward sale of 19,950 metric ton)	33,131,313	1,194,707,530	33,131,313	1,194,707,530
As at 31 December 2005:				
For off balance sheet contracts				
Forward contract payables for zinc metal price (Forward sale of 48,275 metric ton)	72,978,438	3,001,448,281	72,978,438	3,001,448,281

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

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

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

30.3 Fair values

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

30.4 Credit risk

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

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

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

30.5 Interest rate risk

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

Management believes that these risks are acceptable. In 2003, the Company obtained financing facilities in the amount of Baht 800 million at a fixed rate of interest for a period of 3 years. As of 31 December 2006, the Company has drawdown a total of Baht 650 million from which Baht 80 million are still not matured (see Note 15).

30.6 Mining licenses

See Note 2 for discussion related to the renewal of mining licenses.

30.7 Exploration risk

In order to maintain a low-cost 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 the accounting procedure evidenced in Note 3.12 of these financial statements. Following the simultaneous approval of several exploration licenses and in particular the Puthep project, the increased level of activity is likely to generate higher level of exploration costs capitalized than in the previous years 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.

31. Provident funds

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

32. Events after balance sheet date

On 5 January 2007, the Company paid USD 150,000 for the additional share capital of Padaeng Industry (Laos) Co., Ltd. in relation to a resolution on 9 August 2006 to increase the authorised share capital from USD 300,000 to USD 1,273,000 in order to meet the expenses foreseen in the frame of the new exploration (see Note 27 (i)).

On 16 February 2007, the Board of Directors have decided to propose the payment of a dividend in respect of 2006 operating results of Baht 5.20 per share totalling Baht 1,175.2 million in the Annual Shareholder's Meeting in April 2007.

33. Reclassification

Certain items in the balance sheet as at 31 December 2005 and statements of income for the year then ended have been reclassified for comparative purpose to coincide with balance sheet as at 31 December 2006 and statements of income for the year then ended.

34. Restatement

As disclosed in Note 3 and Note 9, the prior year financial statements have been restated to reflect the adoption of the accounting policy for consolidation namely investments in related companies from equity method to cost method.