

**PADAENG INDUSTRY PUBLIC COMPANY LIMITED**

**CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS**

**31 DECEMBER 2007**

**Padaeng Industry Public Company Limited**  
**Balance Sheets**  
**As at 31 December 2007 and 2006**

	Notes	Consolidated		Company	
		2007 Baht	2006 Baht	2007 Baht	2006 Baht
<b>Assets</b>					
<u>Current assets</u>					
Cash and cash equivalents	4	519,777,885	754,250,926	356,245,201	590,160,663
Deposits (with LME brokers)	5	-	591,772,404	-	591,772,404
Trade accounts receivables-net					
- other parties	6	278,974,064	604,559,281	275,087,596	596,883,258
- related parties	27 (iv)	25,222,828	29,635,296	25,222,828	32,130,690
Short-term loans and advances to related parties-net	27 (v)	2,449,000	2,449,000	1,650,063	1,920,067
Inventories-net	7	2,199,580,945	3,225,595,978	2,201,842,506	3,225,595,978
Value Added Tax receivables		24,861,246	74,697,849	22,374,586	74,625,615
Other receivables - related parties	27 (vi)	-	368,122	3,597,350	827,803
Other current assets	8	90,447,296	26,941,996	89,516,102	26,565,920
<b>Total current assets</b>		<b>3,141,313,264</b>	<b>5,310,270,852</b>	<b>2,975,536,232</b>	<b>5,140,482,398</b>
<u>Non-current assets</u>					
Investments in related parties-net	9, 27(i)	132,743,660	17,157,754	371,660,597	248,100,772
Property, plant and equipment-net	10	2,019,052,572	2,094,205,611	2,021,297,154	2,097,373,882
Exploration and acquisition costs	11	456,611,538	312,000,629	130,534,342	104,998,853
Other non-current assets	12	9,536,028	7,194,414	9,457,528	7,139,414
<b>Total non-current assets</b>		<b>2,617,943,798</b>	<b>2,430,558,408</b>	<b>2,532,949,621</b>	<b>2,457,612,921</b>
<b>Total assets</b>		<b>5,759,257,062</b>	<b>7,740,829,260</b>	<b>5,508,485,853</b>	<b>7,598,095,319</b>

Director.....

Director.....

The notes to the consolidated and company financial statements on pages 9 to 32 are integral part of these financial statements.

**Padaeng Industry Public Company Limited**  
**Balance Sheets**  
**As at 31 December 2007 and 2006**

	Notes	Consolidated		Company	
		2007 Baht	2006 Baht	2007 Baht	2006 Baht
<b>Liabilities and shareholders' equity</b>					
<u>Current liabilities</u>					
Loans from financial institutions	13	-	1,163,921,339	-	1,163,921,339
Trade accounts payables					
- other parties		120,064,209	633,238,914	118,427,149	632,436,439
- related parties	27(iv)	6,150,893	11,432,928	6,276,329	11,589,374
Current portion of long-term loans	15	-	80,000,000	-	80,000,000
Current portion of hire purchase payables		-	1,919,873	-	1,919,873
Advance from related parties	27(vii)	126,240,767	224,000	-	-
Short-term loans from related parties	27(viii)	-	-	80,000,000	50,000,000
Accrued interest expenses					
- other parties		-	4,582,679	-	4,582,679
- related parties	27(viii)	-	-	510,137	167,808
Accrued electricity expenses		187,124,594	182,156,037	187,124,594	182,156,037
Royalty payable		216,945,530	293,435,347	216,945,530	293,435,347
Other current liabilities	14	223,652,578	247,213,717	203,480,565	238,253,218
<b>Total current liabilities</b>		<b>880,178,571</b>	<b>2,618,124,834</b>	<b>812,764,304</b>	<b>2,658,462,114</b>
<u>Non-current liabilities</u>					
Provisions for restoration expenses	16	13,571,494	10,948,433	13,571,494	10,948,433
Provision for employee termination/retirement benefits	17	91,905,766	76,029,550	91,905,766	76,029,550
Others non-current liabilities		4,932,567	14,705,731	4,932,567	14,705,731
<b>Total non-current liabilities</b>		<b>110,409,827</b>	<b>101,683,714</b>	<b>110,409,827</b>	<b>101,683,714</b>
<b>Total liabilities</b>		<b>990,588,398</b>	<b>2,719,808,548</b>	<b>923,174,131</b>	<b>2,760,145,828</b>
<u>Shareholders' equity</u>					
Share capital					
Authorized share capital					
226,000,000 ordinary shares of Baht 10 each	18	2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Issued and paid-up share capital					
226,000,000 ordinary shares of Baht 10 each, fully paid		2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Premium on share capital		602,413,600	602,413,600	602,413,600	602,413,600
Retained earnings					
Appropriated legal reserve	19	171,962,698	125,461,639	171,962,698	125,461,639
Unappropriated retained earnings		1,686,899,415	1,985,686,934	1,550,935,424	1,850,074,252
<b>Total Company shareholders' equity</b>		<b>4,721,275,713</b>	<b>4,973,562,173</b>	<b>4,585,311,722</b>	<b>4,837,949,491</b>
Minority interests		47,392,951	47,458,539	-	-
<b>Total shareholders' equity</b>		<b>4,768,668,664</b>	<b>5,021,020,712</b>	<b>4,585,311,722</b>	<b>4,837,949,491</b>
<b>Total liabilities and shareholders' equity</b>		<b>5,759,257,062</b>	<b>7,740,829,260</b>	<b>5,508,485,853</b>	<b>7,598,095,319</b>

The notes to the consolidated and company financial statements on pages 9 to 32 are integral part of these financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of income**  
**For the years ended 31 December 2007 and 2006**

	Notes	Consolidated		Company	
		2007 Baht	2006 Baht	2007 Baht	2006 Baht
Revenues from sales and services	29	12,072,676,352	10,305,000,774	12,051,396,284	10,289,381,530
Cost of sales and services		(10,366,251,857)	(7,621,853,555)	(10,353,418,039)	(7,613,371,097)
<b>Gross profit</b>		<b>1,706,424,495</b>	<b>2,683,147,219</b>	<b>1,697,978,245</b>	<b>2,676,010,433</b>
Selling and administrative expenses	20	(560,490,392)	(619,276,178)	(555,155,169)	(617,959,823)
Royalty expenses		(264,741,452)	(358,479,457)	(264,741,452)	(358,479,457)
<b>Profit from sales and services</b>		<b>881,192,651</b>	<b>1,705,391,584</b>	<b>878,081,624</b>	<b>1,699,571,153</b>
Other revenues		14,804,021	20,591,386	17,795,876	20,429,092
Gain on exchange rate		79,062,972	67,865,800	79,385,079	68,160,264
Dividend income		-	-	-	499,613
Allowance for diminution of inventories	7	(23,941,332)	-	(23,941,332)	-
Directors' remuneration		(14,776,244)	(15,617,419)	(14,776,244)	(15,167,419)
<b>Profit from operations</b>		<b>936,342,068</b>	<b>1,778,231,351</b>	<b>936,545,003</b>	<b>1,773,492,703</b>
Share of loss of investment in jointly controlled entity on equity method	9	(2,538,894)	(342,246)	-	-
<b>Profit before finance costs and corporate income tax</b>		<b>933,803,174</b>	<b>1,777,889,105</b>	<b>936,545,003</b>	<b>1,773,492,703</b>
Finance costs-net	22	(560,282)	(9,395,385)	(6,523,824)	(13,996,326)
<b>Profit before corporate income tax</b>		<b>933,242,892</b>	<b>1,768,493,720</b>	<b>930,021,179</b>	<b>1,759,496,377</b>
Corporate income tax		(2,935,992)	(2,390,283)	-	-
<b>Profit before allocation to minorities</b>		<b>930,306,900</b>	<b>1,766,103,437</b>	<b>930,021,179</b>	<b>1,759,496,377</b>
(Profit) loss attributable to minorities		65,588	(778,331)	-	-
<b>Net profit for the years</b>		<b>930,372,488</b>	<b>1,765,325,106</b>	<b>930,021,179</b>	<b>1,759,496,377</b>
<b>Earnings per share</b>					
Net profit for the years	23	4.12	7.81	4.12	7.79

The notes to the consolidated and company financial statements on pages 9 to 32 are integral part of these financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of changes in shareholders' equity**  
**For the years ended 31 December 2007 and 2006**

	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		
<b>Beginning balance as at 1 January 2007</b>		2,260,000,000	602,413,600	125,461,639	1,985,686,934	47,458,539	5,021,020,712
Appropriated legal reserve	19	-	-	46,501,059	(46,501,059)	-	-
Actuarial loss recognised in equity	17	-	-	-	(7,458,948)	-	(7,458,948)
Net profit (loss)		-	-	-	930,372,488	(65,588)	930,306,900
Dividends paid	21	-	-	-	(1,175,200,000)	-	(1,175,200,000)
<b>Ending balance as at 31 December 2007</b>		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>171,962,698</u>	<u>1,686,899,415</u>	<u>47,392,951</u>	<u>4,768,668,664</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		
<b>Beginning balance as at 1 January 2006</b>		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)
<b>Ending balance as at 31 December 2006</b>		<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>

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**Padaeng Industry Public Company Limited**  
**Statements of changes in shareholders' equity**  
**For the years ended 31 December 2007 and 2006**

	Notes	Company					Total
		Issued and paid up share capital	Premium on share capital	Retained earnings		Minority interest	
				Appropriated legal reserve	Unappropriated		
Baht	Baht	Baht	Baht	Baht	Baht		
<b>Beginning balance as at 1 January 2007</b>		2,260,000,000	602,413,600	125,461,639	1,850,074,252	-	4,837,949,491
Appropriated legal reserve	19	-	-	46,501,059	(46,501,059)	-	-
Actuarial loss recognised in equity	17	-	-	-	(7,458,948)	-	(7,458,948)
Net profit		-	-	-	930,021,179	-	930,021,179
Dividends paid	21	-	-	-	(1,175,200,000)	-	(1,175,200,000)
<b>Ending balance as at 31 December 2007</b>		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>171,962,698</u>	<u>1,550,935,424</u>	<u>-</u>	<u>4,585,311,722</u>

	Notes	Company					Total
		Issued and paid up share capital	Premium on share capital	Retained earnings		Minority interest	
				Appropriated legal reserve	Unappropriated		
Baht	Baht	Baht	Baht	Baht	Baht		
<b>Beginning balance as at 1 January 2006</b>		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)
<b>Ending balance as at 31 December 2006</b>		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>125,461,639</u>	<u>1,850,074,252</u>	<u>-</u>	<u>4,837,949,491</u>

The notes to the consolidated and company financial statements on pages 9 to 32 are integral part of these financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of cash flows**  
**For the years ended 31 December 2007 and 2006**

	Notes	Consolidated		Company	
		2007 Baht	2006 Baht	2007 Baht	2006 Baht
<b>Cash flows from operating activities</b>					
Net profit		930,372,488	1,765,325,106	930,021,179	1,759,496,377
<u>Items to reconcile net income to net cash:</u>					
Share of loss from jointly controlled entity	9	2,538,894	342,246	-	-
Allowance for doubtful debts - trade accounts receivables (reversal)					
- other parties	20	264,481	(1,047,948)	-	-
Allowance for advance to related parties	20	-	-	298,200	-
Allowance for slow-moving and obsolete stocks (reversal)	7, 20	(6,590,630)	(3,380,947)	(6,590,630)	(3,380,947)
Allowance for diminution of inventories	7	23,941,332	-	23,941,332	-
Allowance for advances to suppliers and unrecoverable interest	8, 20	2,630,327	2,630,327	2,630,327	2,630,327
Provision for employee termination/retirement benefits	17	9,756,372	8,318,232	8,801,068	8,318,232
Provision for annual leave		11,810	600,000	11,810	600,000
Amortisation of deferred gain on hire purchases		(1,148,340)	(1,531,119)	(1,148,340)	(1,531,119)
Diminution of investment in subsidiary	9	-	-	-	3,824,808
Depreciation expenses	10	350,542,556	333,569,650	350,103,992	333,316,484
(Gain) loss on disposal of property, plant and equipment		4,474,673	(3,510,524)	4,507,501	(3,350,309)
Impairment expenses (reversal)	10	(6,505,733)	4,707,297	(6,505,733)	4,707,297
Property, plant and equipment written-off	10	54,304	2,827,842	54,304	2,827,842
Other assets written-down	11	32,397,815	12,706,159	32,397,815	12,706,159
Other assets amortisation expenses		11,853,191	17,631,422	11,853,191	17,631,422
Provision for restoration expenses (use of)	16	2,623,061	(15,733,502)	2,623,061	(14,225,179)
Unrealized (gain) loss on foreign currency exchange		(880,547)	4,335,178	(880,547)	4,335,178
Minority interest in net profit (loss) of subsidiaries		(65,588)	778,331	-	-
<b>Cash flows from operations before changes in operating assets and liabilities</b>		<b>1,356,270,466</b>	<b>2,128,567,750</b>	<b>1,352,118,530</b>	<b>2,127,906,572</b>
<u>Operating assets (increase) decrease</u>					
Trade accounts receivables					
- other parties		325,706,126	(358,320,344)	321,870,490	(357,719,116)
- related parties		4,101,906	21,710,289	6,907,862	22,012,911
Inventories		1,008,664,331	(1,693,602,416)	1,006,402,770	(1,693,602,416)
Value Added Tax receivables		49,836,603	(25,432,186)	52,251,029	(28,473,490)
Other receivables - related parties	27(vi)	368,122	-	(2,769,547)	(459,681)
Other current assets		(66,135,627)	(11,061,749)	(65,580,509)	(11,703,837)
Other non-current assets		(3,180,386)	(1,196,798)	(3,156,886)	(1,196,798)
<u>Operating liabilities increase (decrease)</u>					
Trade accounts payables					
- other parties		(512,415,930)	252,180,006	(513,250,516)	251,921,646
- related parties		(5,282,035)	5,468,103	(5,313,045)	5,560,997
Accrued interest expenses					
- other parties		(4,582,679)	3,395,583	(4,582,679)	3,395,583
- related parties	27(viii)	-	-	342,329	1,370
Advances from related parties	27(vii)	126,016,767	(2,727,967)	-	-
Accrued electricity expenses		4,968,557	21,719,000	4,968,557	21,719,000
Royalty payable		(76,489,817)	115,587,567	(76,489,817)	115,587,567
Other current liabilities		(28,214,534)	151,907,605	(39,377,892)	150,862,043
Provision for employee termination/retirement benefits	17	(1,339,104)	(5,842,400)	(383,800)	(5,842,400)
Other non-current liabilities		(9,773,164)	(869,395)	(9,773,164)	(869,395)
<b>Net cash provided by operating activities</b>		<b>2,168,519,602</b>	<b>601,482,648</b>	<b>2,024,183,712</b>	<b>599,100,556</b>

The notes to the consolidated and company financial statements on pages 9 to 32 are integral part of these financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of cash flows (Cont'd)**  
**For the years ended 31 December 2007 and 2006**

	Notes	Consolidated		Company	
		2007 Baht	2006 Baht	2007 Baht	2006 Baht
<b>Cash flows from investing activities</b>					
Cash invested in subsidiaries	27(i)	-	-	(5,435,025)	(3,824,808)
Cash invested in jointly controlled entity	27(i)	(118,124,800)	(17,500,000)	(118,124,800)	(17,500,000)
Cash paid for purchase of property, plant and equipment	10	(276,862,551)	(193,477,036)	(275,499,798)	(193,345,413)
Cash received from sales of property, plant and equipment		3,449,790	5,267,362	3,416,462	5,106,147
Cash paid for exploration and acquisition costs		(188,023,144)	(31,448,748)	(68,947,722)	(30,536,177)
<b>Net cash used in investing activities</b>		<b>(579,560,705)</b>	<b>(237,158,422)</b>	<b>(464,590,883)</b>	<b>(240,100,251)</b>
<b>Cash flows from financing activities</b>					
Deposit (with LME brokers)		591,772,404	(489,533,213)	591,772,404	(489,533,213)
Increase (decrease) in loans from financial institution		(1,163,921,339)	999,362,124	(1,163,921,339)	999,362,124
Increase in short-term loans to related parties	27(v)	-	(2,449,000)	(28,196)	(71,804)
Increase (decrease) in short-term loans from related parties	27(viii)	-	-	30,000,000	(130,000,000)
Dividends payment		(1,169,362,607)	(247,252,315)	(1,169,410,764)	(246,843,541)
Payment on long-term borrowings	15	(80,000,000)	(467,500,000)	(80,000,000)	(467,500,000)
Accounts payable hire purchase payment		(1,919,873)	(3,095,445)	(1,919,873)	(3,095,445)
<b>Net cash used in financing activities</b>		<b>(1,823,431,415)</b>	<b>(210,467,849)</b>	<b>(1,793,507,768)</b>	<b>(337,681,879)</b>
Effects from changes in exchange rate for cash and cash equivalents		(523)	(1,073)	(523)	(1,073)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(234,473,041)</b>	<b>153,855,304</b>	<b>(233,915,462)</b>	<b>21,317,353</b>
Cash and cash equivalents at beginning of the years		754,250,926	600,395,622	590,160,663	568,843,310
<b>Cash and cash equivalents at end of the years</b>		<b>519,777,885</b>	<b>754,250,926</b>	<b>356,245,201</b>	<b>590,160,663</b>
<b>Supplementary information for statements of cash flows</b>					
<b>Cash paid during the year:</b>					
Interest paid		38,144,283	54,423,551	39,640,515	55,619,338
Tax paid		1,584,680	1,745,012	128,014	282,422

The notes to the consolidated and company financial statements on pages 9 to 32 are integral part of these financial statements.



**1. General Information**

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

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

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

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

During the year 2007, the Company employed 856 employees (2006: 850 employees).

These consolidated and company financial statements have been approved for issue by the Board of Directors on 11 February 2008.

**2. Approval of mining licenses**

As at 31 December 2007, the Company was still in the process of completing the procedures needed to apply for a new mining license in replacement of its principal mining lease that expired on 17 October 2007. As at 17 July 2007, an Environmental Impact Assessment report (EIA) has been approved by National Environmental Board (NEB). Further, on 9 October 2007, the use of the 1A watershed area has been approved by the Cabinet.

On 18 October 2007, the Company's mine operations have been temporarily put on hold until the mining licenses are finally approved. The Company has enough stockpiles and supplies on hand and committed for purchase to support the needs of the Tak smelter in order to complete deliveries until the end of the first semester. Additionally, the Company has sufficient commitments in place to source raw materials to ensure continued operation of its smelter facilities for the next 12 months from December 2007.

On 15 January 2008, the Company received from the Royal Forestry Department renewed forestry permits for the dressing area and some plots controlling access to the remaining ore stockpiles in the Maesod area allowing the Company to crush and process those ores within the coming months.

On 7 February 2008, the Mining Lease Application was approved by the Mineral Act Committee. The Company's application will now be processed for final approval of the license in early 2008.

### **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 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.

#### **New standard and amendments to standards effective in 2008**

The following standards are issued and revised and are mandatory for accounting periods beginning on or after 1 January 2008 and have not been early adopted by the Company.

##### Revised standards

TAS No. 25 "Cash Flow Statements"

TAS No. 29 "Leases"

TAS No. 31 "Inventories"

TAS No. 33 "Borrowing Costs"

TAS No. 35 "Presentation of Financial Statements (revised 2007)"

TAS No. 39 "Accounting Policies, Changes in Accounting Estimates and Errors (revised 2007)"

TAS No. 41 "Interim Financial Reporting (revised 2007)"

##### New standard

TAS No. 51 "Intangible Assets"

The Company will apply these standards from 1 January 2008. However, the management has determined that the revised and new standards will not significantly impact the financial statements of the Company.

The Following standards are revised and are mandatory for accounting periods beginning on or after 1 January 2008 and are currently not relevant to the Company.

TAS No. 43 "Business Combinations"

TAS No. 49 "Construction Contracts"

#### **3.2 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.

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

#### **3.4 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.

#### **3.5 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.

#### **3.6 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.

#### **3.7 Investments in subsidiaries and jointly controlled entities**

Investments in subsidiaries and jointly controlled entities 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 investments.

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

#### **3.8 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.

#### **3.9 Related parties**

Related parties 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 parties have been disclosed in Note 27.

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

#### **3.10 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 its residual value over the 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

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 result in an increase in capacity, useful life or improve the operating efficiency of existing assets and those 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.

#### **3.11 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 capitalised 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 capitalised 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. Significant Accounting Policies (Cont'd)**

#### **3.12 Other non-current assets**

##### Capitalised software

Purchased computer software licences which can be separated from host assets are capitalised on the basis of the costs incurred to acquire and bring to use the software. These costs are amortised over their estimated useful lives, not exceeding a period of five years.

Expenditure which enhances or extends the performance computer software programmes beyond their original specification is recognised as capital improvement and added to the original cost of the software. Computer software development costs including internal costs which are recognised as assets are amortised using the straight line method over their useful lives, not exceeding a period of five years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

#### **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 Maesod 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.

#### **3.16 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 (realised or unrealised) are recognised in current period income. The fair values of the contracts are based on closing exchange quotations.

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**3. Significant Accounting Policies (Cont'd)**

**3.17 Financial instruments (Cont'd)**

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 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 period which they occur. The effect of adoption of this policy is shown in Note 17.

**3.19 Provident funds**

The Company established a registered contributory provident fund in accordance with the Provident Fund Act B.E. 2530 which is a defined contribution plan. The assets of which are held in a separate trust fund. 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.

**4. Cash and cash equivalents**

Cash and cash equivalents as at 31 December 2007 and 2006 comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Cash on hands and deposits with banks	174,285,131	406,764,225	128,463,272	390,442,463
Bill of exchange	345,492,754	347,486,701	227,781,929	199,718,200
<b>Total</b>	<b>519,777,885</b>	<b>754,250,926</b>	<b>356,245,201</b>	<b>590,160,663</b>

The average interest rates on deposits and short-term investments are in the range of 0.13% - 4.98% (2006: 0.25% - 4.93%).

**5. Deposits**

As at 31 December 2007, the Company has no deposit 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 (2006 : Baht 591.8 million) (see Note 30).

**6. Trade accounts receivables-net**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Trade accounts receivables	293,222,884	618,579,942	275,087,596	596,883,258
<u>Less: Allowance for doubtful accounts</u>	<u>(14,248,820)</u>	<u>(14,020,661)</u>	<u>-</u>	<u>-</u>
<b>Trade accounts receivables - net</b>	<b>278,974,064</b>	<b>604,559,281</b>	<b>275,087,596</b>	<b>596,883,258</b>

**Padaeng Industry Public Company Limited**  
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**6. Trade accounts receivables-net (Cont'd)**

Outstanding trade accounts receivables as at 31 December 2007 and 2006 can be analysed as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Up to 3 months	278,628,764	604,442,235	275,087,596	596,883,258
3-6 months	71,060	70,965	-	-
6-12 months	548,480	92,162	-	-
Over 12 months	13,974,580	13,974,580	-	-
	<u>293,222,884</u>	<u>618,579,942</u>	<u>275,087,596</u>	<u>596,883,258</u>
<u>Less: Allowance for doubtful accounts</u>	<u>(14,248,820)</u>	<u>(14,020,661)</u>	<u>-</u>	<u>-</u>
	<u>278,974,064</u>	<u>604,559,281</u>	<u>275,087,596</u>	<u>596,883,258</u>

**7. Inventories - net**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Raw materials	1,077,725,610	1,411,972,556	1,079,987,171	1,411,972,556
Spare parts and consumables	169,591,503	215,510,882	169,591,503	215,510,882
Goods in transit	16,056,961	11,135,206	16,056,961	11,135,206
Work in process	634,284,427	984,816,432	634,284,427	984,816,432
Finished goods	347,678,319	630,566,075	347,678,319	630,566,075
	<u>2,245,336,820</u>	<u>3,254,001,151</u>	<u>2,247,598,381</u>	<u>3,254,001,151</u>
<u>Less: Allowance for obsolete and slow moving inventories</u>	<u>(21,814,543)</u>	<u>(28,405,173)</u>	<u>(21,814,543)</u>	<u>(28,405,173)</u>
<u>Allowance for diminution of inventories</u>	<u>(23,941,332)</u>	<u>-</u>	<u>(23,941,332)</u>	<u>-</u>
Inventories - net	<u>2,199,580,945</u>	<u>3,225,595,978</u>	<u>2,201,842,506</u>	<u>3,225,595,978</u>

**8. Other current assets**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Advances to supplier				
- principal	35,071,032	35,071,032	35,071,032	35,071,032
- interest	9,825,034	7,194,707	9,825,034	7,194,707
Others	90,447,296	26,941,996	89,516,102	26,565,920
	<u>135,343,362</u>	<u>69,207,735</u>	<u>134,412,168</u>	<u>68,831,659</u>
<u>Less: Allowance for doubtful accounts</u>	<u>(44,896,066)</u>	<u>(42,265,739)</u>	<u>(44,896,066)</u>	<u>(42,265,739)</u>
Total	<u>90,447,296</u>	<u>26,941,996</u>	<u>89,516,102</u>	<u>26,565,920</u>

**9. Investments in related parties-net**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Subsidiaries and jointly controlled entity				
Opening net book amount	17,157,754	-	248,100,772	230,600,772
Increase in share capital (Note 27 (i))	118,124,800	17,500,000	134,950,119	21,324,808
Share of result in jointly controlled entity	(2,538,894)	(342,246)	-	-
Diminution of investments	-	-	(11,390,294)	(3,824,808)
Closing net book amount	<u>132,743,660</u>	<u>17,157,754</u>	<u>371,660,597</u>	<u>248,100,772</u>

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**10. Property, plant and equipment-net**

	<b>Consolidated</b>						<b>Total Baht</b>
	<b>Land and land improvements Baht</b>	<b>Buildings Baht</b>	<b>Machinery and heavy equipments Baht</b>	<b>Equipments, furnitures and fixtures Baht</b>	<b>Vehicles Baht</b>	<b>Building and machinery under constructions Baht</b>	
<b>At 31 December 2006</b>							
Cost	678,166,529	1,578,551,569	4,632,514,126	378,366,680	202,995,359	30,760,887	7,501,355,150
<u>Less:</u> Accumulated depreciation	(249,486,736)	(1,076,621,223)	(3,421,232,514)	(341,314,946)	(141,092,066)	-	(5,229,747,485)
Accumulated provision for impairment	(3,308,744)	(112,386)	(172,420,583)	(1,377,220)	(183,121)	-	(177,402,054)
Net book amount	<u>425,371,049</u>	<u>501,817,960</u>	<u>1,038,861,029</u>	<u>35,674,514</u>	<u>61,720,172</u>	<u>30,760,887</u>	<u>2,094,205,611</u>
<b>Year ended 31 December 2007</b>							
Opening balance	425,371,049	501,817,960	1,038,861,029	35,674,514	61,720,172	30,760,887	2,094,205,611
Additions	-	-	-	2,823,036	-	274,039,515	276,862,551
Transfers	25,017,763	29,958,607	99,742,195	38,722,456	28,921,402	(222,362,423)	-
Disposals	-	(568,821)	(7,304,197)	(50,940)	(505)	-	(7,924,463)
Write-offs	-	-	-	(54,304)	-	-	(54,304)
Closing book amount	<u>450,388,812</u>	<u>531,207,746</u>	<u>1,131,299,027</u>	<u>77,114,762</u>	<u>90,641,069</u>	<u>82,437,979</u>	<u>2,363,089,395</u>
<u>Less:</u> Depreciation expense	(19,274,844)	(72,199,129)	(223,831,703)	(19,050,288)	(16,186,592)	-	(350,542,556)
Provision for impairment released	-	-	6,421,280	84,453	-	-	6,505,733
Closing net book amount	<u>431,113,968</u>	<u>459,008,617</u>	<u>913,888,604</u>	<u>58,148,927</u>	<u>74,454,477</u>	<u>82,437,979</u>	<u>2,019,052,572</u>
<b>At 31 December 2007</b>							
Cost	703,075,597	1,607,760,134	4,714,820,057	411,251,313	224,682,128	82,437,979	7,744,027,208
<u>Less:</u> Accumulated depreciation	(268,652,885)	(1,148,639,132)	(3,634,932,150)	(351,809,620)	(150,044,528)	-	(5,554,078,315)
Accumulated provision for impairment	(3,308,744)	(112,385)	(165,999,303)	(1,292,766)	(183,123)	-	(170,896,321)
Net book amount	<u>431,113,968</u>	<u>459,008,617</u>	<u>913,888,604</u>	<u>58,148,927</u>	<u>74,454,477</u>	<u>82,437,979</u>	<u>2,019,052,572</u>

Fully depreciated property, plant and equipment still in use included in cost as at 31 December 2007 amount to Baht 1,951.7 million (2006: Baht 1,707.0 million).



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

	<b>Company</b>						<b>Total Baht</b>
	<b>Land and land improvements Baht</b>	<b>Buildings Baht</b>	<b>Machinery and heavy equipments Baht</b>	<b>Equipments, furnitures and fixtures Baht</b>	<b>Vehicles Baht</b>	<b>Building and machinery under constructions Baht</b>	
<b>At 31 December 2006</b>							
Cost	681,676,467	1,578,551,569	4,632,514,126	376,650,911	201,863,743	30,760,887	7,502,017,703
<u>Less:</u> Accumulated depreciation	(249,486,736)	(1,076,621,223)	(3,421,232,514)	(339,865,153)	(140,036,141)	-	(5,227,241,767)
Accumulated provision for impairment	(3,308,744)	(112,386)	(172,420,583)	(1,377,220)	(183,121)	-	(177,402,054)
Net book amount	<u>428,880,987</u>	<u>501,817,960</u>	<u>1,038,861,029</u>	<u>35,408,538</u>	<u>61,644,481</u>	<u>30,760,887</u>	<u>2,097,373,882</u>
<b>Year ended 31 December 2007</b>							
Opening balance	428,880,987	501,817,960	1,038,861,029	35,408,538	61,644,481	30,760,887	2,097,373,882
Additions	-	-	-	1,460,283	-	274,039,515	275,499,798
Transfers	25,017,763	29,958,607	99,742,195	38,722,456	28,921,402	(222,362,423)	-
Disposals	-	(568,821)	(7,304,197)	(50,940)	(5)	-	(7,923,963)
Write-offs	-	-	-	(54,304)	-	-	(54,304)
Closing book amount	<u>453,898,750</u>	<u>531,207,746</u>	<u>1,131,299,027</u>	<u>75,486,033</u>	<u>90,565,878</u>	<u>82,437,979</u>	<u>2,364,895,413</u>
<u>Less:</u> Depreciation expense	(19,274,844)	(72,199,129)	(223,831,703)	(18,681,594)	(16,116,722)	-	(350,103,992)
Provision for impairment released	-	-	6,421,280	84,453	-	-	6,505,733
Closing net book amount	<u>434,623,906</u>	<u>459,008,617</u>	<u>913,888,604</u>	<u>56,888,892</u>	<u>74,449,156</u>	<u>82,437,979</u>	<u>2,021,297,154</u>
<b>At 31 December 2007</b>							
Cost	706,585,535	1,607,760,134	4,714,820,057	408,172,791	223,823,828	82,437,979	7,743,600,324
<u>Less:</u> Accumulated depreciation	(268,652,885)	(1,148,639,132)	(3,634,932,150)	(349,991,133)	(149,191,549)	-	(5,551,406,849)
Accumulated provision for impairment	(3,308,744)	(112,385)	(165,999,303)	(1,292,766)	(183,123)	-	(170,896,321)
Net book amount	<u>434,623,906</u>	<u>459,008,617</u>	<u>913,888,604</u>	<u>56,888,892</u>	<u>74,449,156</u>	<u>82,437,979</u>	<u>2,021,297,154</u>

Fully depreciated property, plant and equipment still in use included in cost as at 31 December 2007 amount to Baht 1,949.6 million (2006: Baht 1,707.0 million).

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**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:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Opening balances	177,402,054	172,694,757	177,402,054	172,694,757
Provision for impairment	-	7,515,768	-	7,515,768
Reversal from disposals/write-off	(6,505,733)	(2,808,471)	(6,505,733)	(2,808,471)
Ending balances	<u>170,896,321</u>	<u>177,402,054</u>	<u>170,896,321</u>	<u>177,402,054</u>

**11. Exploration and acquisition costs**

Exploration and acquisition costs as at 31 December 2007 and 2006 comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<u>Exploration costs</u>				
Opening balance for the year	235,458,074	217,223,984	45,442,808	28,121,289
Expenditure incurred during the year	181,087,724	30,940,249	62,012,304	30,027,678
Expenditure written-down	<u>(32,397,815)</u>	<u>(12,706,159)</u>	<u>(32,397,815)</u>	<u>(12,706,159)</u>
Ending balance for the year (Note 11 (i))	<u>384,147,983</u>	<u>235,458,074</u>	<u>75,057,297</u>	<u>45,442,808</u>
<u>Mining acquisition costs</u>				
Capitalised deferred cost				
Opening balance for the year	60,000,000	60,000,000	60,000,000	60,000,000
Accumulative depletion	<u>(26,666,688)</u>	<u>(20,000,016)</u>	<u>(26,666,688)</u>	<u>(20,000,016)</u>
Ending balance for the year	33,333,312	39,999,984	33,333,312	39,999,984
Special prospect license fee	16,986,510	16,986,510	-	-
Land use compensation	6,322,111	8,026,339	6,322,111	8,026,339
Other capitalised expenditure	<u>15,821,622</u>	<u>11,529,722</u>	<u>15,821,622</u>	<u>11,529,722</u>
Ending balance for the year	<u>72,463,555</u>	<u>76,542,555</u>	<u>55,477,045</u>	<u>59,556,045</u>
Total	<u>456,611,538</u>	<u>312,000,629</u>	<u>130,534,342</u>	<u>104,998,853</u>

**i) Exploration costs**

Exploration costs are mainly related to those incurred by the Company, Puthep Co., Ltd. and Padaeng Industry (Laos) Co., Ltd., its subsidiaries. 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 capitalised until final determination of whether economically recoverable resource exists.

Since 21 August 2000, the Company and **Puthep Co., Ltd.** has 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 in north-east Thailand. Under the Agreement, PNA has the right to obtain a 51% working interest in the Puthep Project by completing a bankable feasibility study. 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.

On 10 July 2007, PNA advised the Company that they funded approximately USD 2 million of project expenditure in Puthep Co.,Ltd. As per the term of the Second Earning Period, this funding will give PNA the right to earn an additional share of around 12.50% in Puthep Co., Ltd. for a total of 33.16 %.

The capitalised exploration costs incurred by Puthep Co., Ltd. amount to Baht 321.8 million. On 1 November 2006, the land access permits for completion of 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.

In October 2006, the Company signed an exploration agreement with the Department of Mines and Geology of Laos PDR covering 800 km<sup>2</sup> in the Kasi district of northern Vientiane Province. The exploration is conducted through **Padaeng Industry (Laos) Co.,Ltd.** at the date of this closing a total amount of Baht 4.2 million has been capitalised on the consolidated balance sheet.

**12. Other non-current assets**

Other non-current assets as at 31 December 2007 and 2006 comprise:

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Deposits and installment payments for condominium units	74,932,723	74,932,723	-	-
<u>Less: Allowance for doubtful accounts</u>	<u>(74,932,723)</u>	<u>(74,932,723)</u>	<u>-</u>	<u>-</u>
Total	-	-	-	-
Capitalised software				
Opening balance	1,136,887	4,609,803	1,136,887	4,609,803
Additions	<u>5,275,375</u>	<u>1,196,798</u>	<u>5,275,375</u>	<u>1,196,798</u>
Closing book amount	6,412,262	5,806,601	6,412,262	5,806,601
<u>Less: Amortisation expense</u>	<u>(838,772)</u>	<u>(4,669,714)</u>	<u>(838,772)</u>	<u>(4,669,714)</u>
Closing net book amount	<u>5,573,490</u>	<u>1,136,887</u>	<u>5,573,490</u>	<u>1,136,887</u>
Deposits	797,811	774,311	719,311	719,311
Others	<u>3,164,727</u>	<u>5,283,216</u>	<u>3,164,727</u>	<u>5,283,216</u>
Total	<u>9,536,028</u>	<u>7,194,414</u>	<u>9,457,528</u>	<u>7,139,414</u>

Deposits and installment payment for condominium units

A subsidiary has provided an allowance of Baht 74.9 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.

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**13. Loans from financial institutions**

Loans from financial institutions as at 31 December 2007 and 2006 comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Trust Receipts	-	1,163,921,339	-	1,163,921,339

As at 31 December 2007, the Company had no short-term financing arrangements with any financial institution. (2006: the interest rate were 5.75% - 5.85%)

**14. Other current liabilities**

Other current liabilities as of 31 December 2007 and 2006 comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Accrued expenses	121,260,436	151,928,728	104,422,141	145,182,407
Other payables	102,392,142	95,284,989	99,058,424	93,070,811
Total	223,652,578	247,213,717	203,480,565	238,253,218

**15. Long-term loans**

Long-term loans as at 31 December 2007 and 2006 comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Due within one year	-	80,000,000	-	80,000,000
More than one year	-	-	-	-
Total	-	80,000,000	-	80,000,000

The movements in the borrowings can be analysed as follows:

<b>For the year ended 31 December</b>	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Opening amount	80,000,000	547,500,000	80,000,000	547,500,000
Repayment of loans	(80,000,000)	(467,500,000)	(80,000,000)	(467,500,000)
Closing amount	-	80,000,000	-	80,000,000

As at 31 December 2006, the Company has an unsecured long-term loan agreement with a local bank. This facility has been contracted at a market rate of interest which is 3.00%. The Company has no outstanding balance left as all principals have already been repaid in June 2007.

**i) Financing arrangements available**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Bank Overdraft	60,000,000	60,000,000	60,000,000	60,000,000
Short-term Loans	4,480,400,000	3,014,232,000	4,480,400,000	3,014,232,000
Bank Guarantee	860,315,000	906,462,000	860,275,000	906,462,000
Long-term Loans	-	200,000,000	-	200,000,000
Total	5,400,715,000	4,180,694,000	5,400,675,000	4,180,694,000

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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	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Short-term Loans				
Trust Receipts	-	1,163,921,339	-	1,163,921,339
Long-term Loans	-	80,000,000	-	80,000,000
Total	-	1,243,921,339	-	1,243,921,339

**16. Provisions for restoration expenses**

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Balance at the beginning of the year	10,948,433	26,681,935	10,948,433	25,173,612
Additional provisions charged to the statement of income	25,882,804	18,661,522	25,882,804	18,661,522
Amounts utilised	(23,259,743)	(34,395,024)	(23,259,743)	(32,886,701)
Balance at the end of the year	13,571,494	10,948,433	13,571,494	10,948,433

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

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

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Balance at the beginning of the year	76,029,550	60,804,526	76,029,550	60,804,526
Additional provisions charged to the statement of income	9,756,372	8,318,232	8,801,068	8,318,232
Amounts utilised	(1,339,104)	(5,842,400)	(383,800)	(5,842,400)
Actuarial loss recognised in equity	7,458,948	12,749,192	7,458,948	12,749,192
Balance at the end of the year	91,905,766	76,029,550	91,905,766	76,029,550

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 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 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 2006	226,000,000	2,260,000,000	602,413,600	2,862,413,600
Movement during the year	-	-	-	-
As at 31 December 2007	226,000,000	2,260,000,000	602,413,600	2,862,413,600

As at 31 December 2007, the total authorised number of ordinary shares is 226,000,000 shares (2006: 226,000,000 shares) with a par value of Baht 10 per share (2006: Baht 10 per share). All issued shares are fully paid.

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**19. Legal reserve**

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Balance at the beginning of the year	125,461,639	37,486,820	125,461,639	37,486,820
Appropriation during the year	46,501,059	87,974,819	46,501,059	87,974,819
Balance at the end of the year	171,962,698	125,461,639	171,962,698	125,461,639

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	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Plant expenses not allocated to cost of sales and services	186,261,981	151,558,011	186,261,981	151,558,011
Salaries, bonus and benefits to employees	182,022,888	222,141,092	172,943,994	219,596,037
Freight and transportation costs	77,060,760	66,747,851	77,060,760	66,747,851
Ethanol projects	-	37,605,583	-	37,605,583
Exploration costs	40,100,394	20,830,291	40,100,394	20,830,291
Depreciation expenses	17,208,054	20,894,774	16,790,823	20,641,607
Bank guarantee fees	3,398,752	7,932,451	3,398,752	7,932,451
Allowance for advance to related parties	-	-	298,200	-
Bad debt expenses (reversal)	264,481	(1,047,948)	-	-
Allowance for doubtful account expenses (advance to supplier) (Note 8)	2,630,327	2,630,327	2,630,327	2,630,327
Provision for employee termination/retirement benefits (Note 17)	9,756,372	8,318,232	8,801,068	8,318,232
Diminution of investment in subsidiaries	-	-	-	3,824,808
Allowance for slow-moving and obsolete stocks (reversal)	(6,590,630)	(3,380,947)	(6,590,630)	(3,380,947)
Impairment Expenses (reversal)	(6,505,733)	4,707,297	(6,505,733)	4,707,297
Other expenses	54,882,746	80,339,164	59,965,233	76,948,275
	560,490,392	619,276,178	555,155,169	617,959,823

**21. Dividends paid**

At the Annual Ordinary General Meeting of Shareholders held on 23 April 2007, shareholders approved the annual dividend payment from net profit of the Company for the year ended 31 December 2006 of Baht 5.20 per share (2005: Baht 1.10 per share) totalling Baht 1,175.2 million (2005: totalling Baht 248.6 million). The dividend was paid on 22 May 2007. The dividend payment from net profit of the Company for the current year is mentioned in Note 31.

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**22. Finance costs-net**

Finance costs relate to the following:

For the year ended 31 December	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Interest income	33,001,322	51,790,957	28,876,341	48,387,174
Interest expense	(33,561,604)	(61,186,342)	(35,400,165)	(62,383,500)
Total finance costs-net	(560,282)	(9,395,385)	(6,523,824)	(13,996,326)

**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.

For the year ended 31 December	Consolidated		Company	
	2007	2006	2007	2006
Net profit attributable to common shareholders (Baht)	930,372,488	1,765,325,106	930,021,179	1,759,496,377
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)	4.12	7.81	4.12	7.79

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 2007, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 440.1 million (2006: Baht 1,031.3 million).

**25. Capital expenditures and commitments**

As at 31 December 2007 and 2006, the Company has the following commitments for the acquisition of plant and equipment that have been contracted but not recorded as liabilities:

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Not later than 1 year	126,888,463	28,288,706	126,888,463	28,288,706
Later than 1 year	-	-	-	-
Total	126,888,463	28,288,706	126,888,463	28,288,706

As at 31 December 2007 and 2006, the Company has the following commitments for the purchase of inventories that have been contracted but not recorded as liabilities:

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Not later than 1 year	3,077,529,993	1,899,886,103	3,077,529,993	1,899,886,103
Later than 1 year	-	-	-	-
Total	3,077,529,993	1,899,886,103	3,077,529,993	1,899,886,103

**26. Segment information**

The Company produces a single product produced in Thailand for both domestic and export markets, utilising 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 parties transactions**

The Company's major shareholders are Umicore and Nyrstar in Belgium which own approximately 22.00% and 24.90% of the Company's outstanding shares, respectively. The remaining shares are widely held.

**i) Investments in related parties - net**

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

	Consolidated		Company		Consolidated		Company	
	31 December 2007		31 December 2007		31 December 2006		31 December 2006	
	Equity	Paid up	%	Cost	Equity	Paid up	%	Cost
	Baht	capital	ownership	Baht	Baht	capital	ownership	Baht
		Baht	investment	Baht		Baht	investment	Baht
<b>Subsidiaries and jointly controlled entity</b>								
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.	-	25,650,127	100	25,650,127	-	8,824,808	100	8,824,808
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.	132,743,660	387,500,000	35	135,624,800	17,157,754	50,000,000	35	17,500,000
<b>Total</b>	<b>132,743,660</b>			<b>391,975,699</b>	<b>17,157,754</b>			<b>257,025,580</b>
<b>Less : Diminution</b>								
Padaeng Industry (Laos) Co., Ltd.	-			(20,215,102)	-			(8,824,808)
Padaeng International Mining Co., Ltd.	-			(100,000)	-			(100,000)
<b>Investments in related parties - net</b>	<b>132,743,660</b>			<b>371,660,597</b>	<b>17,157,754</b>			<b>248,100,772</b>

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



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

**i) Investments in related parties - net (Cont'd)**

Jointly controlled entity

On 9 October 2006, **Maesod Clean Energy Co., Ltd.** was created together with MP Energy Co., Ltd. and Thai Oil Plc. The jointly controlled entity will produce ethanol as an alternative energy sources. The entity was created with an initial capital of 10,000,000 shares at a par value of Baht 10 from which Baht 5 have been paid by the shareholders. The entity is consolidated under the equity method.

In September 2007, Maesod Clean Energy Co., Ltd. called for payment of the balance of the initial shares.

On 19 September 2007, the shareholders at the Extraordinary Shareholders' Meeting passed a resolution to approve an increase in the authorised share capital of Maesod Clean Energy Co., Ltd. from 10,000,000 ordinary shares with a par value of Baht 10 per share to 67,500,000 ordinary shares with a par value of Baht 10 per share.

In October 2007, Padaeng Industry Plc. took over an additional 20,125,000 new shares for which Baht 5 have been called. Accordingly, as at 31 December 2007, Padaeng Industry subscribed to a total of 23,625,000 shares for a cumulative amount of Baht 135,624,800.

Subsidiaries

In 2006, the board of **Padaeng Industry (Laos) Co., Ltd.** approved increases in the authorised share capital of Padaeng Industry (Laos) Co., Ltd. from USD 200,000 to USD 1,273,000 including debt conversion of USD 293,000 to capital. The Board of Directors of Padaeng Industry Plc. approved the capital increases of Padaeng Industry (Laos) Co., Ltd. on 23 February 2006 and 9 August 2006.

As at 31 December 2006 and 2007 respectively, Padaeng Industry Plc. had paid USD 100,000 and USD 150,000 for additional share capital increases. It should be noted that the Company had previously recorded a provision for diminution of investment in Padaeng Industry (Laos) Co., Ltd. for the full amount of its investment.

On 30 May 2007, Foreign Investment Management Committee of Laos PDR approved the above mentioned conversion of loans, advances and accrued interest from Padaeng Industry Plc. of USD 293,000 to increase authorised share capital of Padaeng Industry (Laos) Co., Ltd. Padaeng Industry Plc. reclassified the loans, advances and accrued interest to Padaeng Industry (Laos) Co., Ltd. and related allowance for doubtful account to investment and diminution of investment in Padaeng Industry (Laos) Co., Ltd., respectively.

Accordingly, as at 31 December 2007, Padaeng Industry (Laos) Co., Ltd. has authorised share capital total of USD 1,273,000 from which USD 743,000 have already been paid or converted. The current investment value of Padaeng Industry (Laos) Co., Ltd. in the Company's books is reduced to USD 150,000 or Baht 5,435,025.

In August 2005, the Board of Directors of Padaeng Industry Plc. passed a resolution to complete the liquidation process of **Padaeng International Mining Co., Ltd.** The actual liquidation has not yet commenced.

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

In August 2007, the Board of Directors of Sila Enterprise Co., Ltd. passed a resolution to liquidate the company. Currently the company has stopped its commercial activities on 18 October 2007. The process of obtaining shareholders approval to liquidate the subsidiary will start in 2008.

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

**ii) Sales of goods and services**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Sales of goods and services:				
Padaeng Properties Co., Ltd.	-	-	1,087,200	-
Padaeng Industry (Laos) Co., Ltd.	-	-	1,188,325	-
Puthep Co., Ltd.	-	-	940,753	-
Sila Enterprise Co., Ltd.	-	-	5,640,237	10,909,499
Nyrstar Belgium SA/NV	179,312,830	-	179,312,830	-
Umicore	-	128,709,383	-	128,709,383
Umicore Marketing Services (Thailand) Co., Ltd.	178,122,732	356,147,090	178,122,732	356,147,090
Umicore Marketing Services (Far East) Ltd.	78,819,042	5,971,157	78,819,042	5,971,157

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

**iii) Purchases of goods and services**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	1,850,856	1,700,407
Padaeng Industry (Laos) Co., Ltd.	-	-	13,787,165	892,714
Umicore Marketing Services (Thailand) Co., Ltd.	55,175,716	59,116,287	55,175,716	59,116,287
Umicore Marketing Services (Far East) Ltd.	-	6,540,141	-	6,540,141
Umicore Australia Limited	29,480,610	21,519,263	29,480,610	21,519,263

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

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Receivables from related parties:				
Sila Enterprise Co., Ltd.	-	-	-	2,495,394
Nyrstar Belgium SA/NV	7,628,960	-	7,628,960	-
Umicore Malaysia Sdn Bhd Co., Ltd.	8,678,448	13,507,406	8,678,448	13,507,406
Umicore Marketing Services (Thailand) Co., Ltd.	7,237,104	12,655,279	7,237,104	12,655,279
Umicore Marketing Services (Far East) Ltd.	-	3,472,611	-	3,472,611
Umicore Marketing Services (HongKong) Ltd.	1,678,316	-	1,678,316	-
<b>Total</b>	<b>25,222,828</b>	<b>29,635,296</b>	<b>25,222,828</b>	<b>32,130,690</b>

**Padaeng Industry Public Company Limited**  
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**27. Related parties transactions (Cont'd)**

**iv) Outstanding balances arising from sales/purchases of goods and services (Cont'd)**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Payables to related parties:				
Padaeng Properties Co., Ltd.	-	-	125,436	156,446
Umicore	1,792,940	-	1,792,940	-
Umicore Marketing Services (Thailand) Co., Ltd.	4,357,953	5,889,313	4,357,953	5,889,313
Umicore Australia Limited	-	5,543,615	-	5,543,615
<b>Total</b>	<b>6,150,893</b>	<b>11,432,928</b>	<b>6,276,329</b>	<b>11,589,374</b>

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Padaeng Industry (Laos) Co., Ltd.	-	-	-	11,390,294
Puthep Co., Ltd.	-	-	1,650,063	1,650,063
Padaeng International Mining Co., Ltd.	-	-	344,800	316,604
Minority Shareholder of Sila Enterprise Co.,	2,449,000	2,449,000	-	-
	2,449,000	2,449,000	1,994,863	13,356,961
<u>Less: Allowance for doubtful accounts</u>	<u>-</u>	<u>-</u>	<u>(344,800)</u>	<u>(11,436,894)</u>
Short-term loans and advances to related parties - net	<b>2,449,000</b>	<b>2,449,000</b>	<b>1,650,063</b>	<b>1,920,067</b>

As at 31 December 2007, the Company reclassified loans, advances and accrued interest to Padaeng Industry (Laos) Co., Ltd. to investment. (See Note 27 (i)).

As at 31 December 2007, the above mentioned loans and advances to Puthep Co., Ltd. and Padaeng International Mining Co., Ltd. are calculated at interest rates of MLR+1% p.a.

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, bearing an interest rate of 0.75% per annum. As at 31 December 2007, Sila Enterprise Co., Ltd. has the interest receivable in the amount of Baht 29,082 and all the interest will be paid on the principal repayment date.

**vi) Other receivables - related parties**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Padaeng Properties Co., Ltd.	-	-	1,138,104	-
Padaeng Industry (Laos) Co., Ltd.	-	-	1,271,507	459,681
Puthep Co., Ltd.	-	-	1,141,592	-
Padaeng International Mining Co., Ltd.	-	-	46,147	-
Maesod Clean Energy Co., Ltd.	-	368,122	-	368,122
<b>Total</b>	<b>-</b>	<b>368,122</b>	<b>3,597,350</b>	<b>827,803</b>

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

**vii) Advance from related parties**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<u>PNA (Puthep) Pty Limited of Australia</u>				
Beginning balance of the year	224,000	2,951,967	-	-
Advance increase (decrease) during the year	126,016,767	(2,727,967)	-	-
Ending balance of the year	126,240,767	224,000	-	-

**viii) Loans from related parties**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<u>South East Asia Metals Co., Ltd.</u>				
Beginning balance of the year	-	-	50,000,000	180,000,000
Loans increase (decrease) during the year	-	-	30,000,000	(130,000,000)
Ending balance of the year	-	-	80,000,000	50,000,000
Accrued interest expenses	-	-	510,137	167,808

As at 31 December 2007, the above mentioned loan from South East Asia Metals Co., Ltd. is an unsecured 1 month term promissory note at an interest rate of 2.38%.

**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:

<b>For the year ended 31 December 2007</b>	<b>Company</b>		
	<b>Promoted business</b>	<b>Non-Promoted business</b>	<b>Total</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Income			
Income from export sales	-	1,880,551,064	1,880,551,064
Income from local sales	-	10,170,845,220	10,170,845,220
Total income from sales	-	12,051,396,284	12,051,396,284
Interest income	-	28,876,341	28,876,341
Other income	-	17,795,876	17,795,876
Total income	-	12,098,068,501	12,098,068,501

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

For the year ended 31 December 2006	Company		
	Promoted business	Non-Promoted business	Total
	Baht	Baht	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

**30. Risk management policy for assets and liabilities**

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

As at 31 December 2007:

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		USD	Baht	USD	Baht
Cash at banks	-	6,207	208,853	6,207	208,853
Accounts receivables	7-20	989,178	33,285,448	989,178	33,285,448
Unrealised forward exchange contract payables	3-60	3,245,390	109,438,130	3,245,390	109,438,130
Unrealised forward exchange contract receivables	3-350	1,032,277	34,808,835	1,032,277	34,808,835
Accounts payables	30-60	1,813,401	61,447,081	1,813,401	61,447,081
Realised forward exchange contract payables					
for zinc metal price	30	365,300	12,275,183	365,300	12,275,183
Realised forward exchange contract receivables					
for zinc metal price	30	365,300	12,295,132	365,300	12,295,132
	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		EUR	Baht	EUR	Baht
Forward contract receivables (Buy)	30	472,087	23,291,191	472,087	23,291,191
Accounts payables	30	37,498	1,860,668	37,498	1,860,668

**Padaeng Industry Public Company Limited**  
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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 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 receivables	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
Unrealised forward exchange contract payables	3-60	28,421,745	1,024,747,904	28,421,745	1,024,747,904
Unrealised 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
Realised forward exchange contract payables for zinc metal price	30	2,629,375	108,637,710	2,629,375	108,637,710
Realised forward exchange contract receivables for zinc metal price	30	2,629,375	93,721,204	2,629,375	93,721,204
	Term of receipt (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

Foreign currency amounts are translated by using the reference rate quoted by the Bank of Thailand as at 31 December 2007 and 2006, respectively.

**30.2 Risk Management and hedging instruments**

The majority of the Company's price quotations of zinc related transactions are based on 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.

During the year, the Company has entered into some transactional hedges with respect of certain specific customer contracts with committed future deliveries at a fixed priced. At the end of the year, a balance of 1,825 metric tons purchased on the London Metals Exchange at the average price of Baht 82,573 per metric ton is still outstanding. As at 31 December 2007, the change in fair value of these hedge purchased contracts amounts to Baht 4.3 million unfavorable. These positions will be balanced by committed and priced physical sales contracts for which deliveries have to be done at the same future periods.

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

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

Also for its cash flow hedges, the Company uses derivative financial and commodity instruments (mainly spot and forward contracts) primarily to reduce the exposure to adverse fluctuations in foreign exchange rates and commodity prices on its expected future cash flows. Those risks derive mainly from our exposure to fluctuations in metals prices from our own mining production, on treatment charges 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 recognised in the financial statements until the underlying cash flows are realised. 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.

Through January 2006, a total of 49,950 metric tons of metal forward sales and associated forward foreign exchange contracts in US dollars existed. Of the aforementioned amount, an amount of 30,000 metric tons related to cash flows had been realised in 2006 at an average price of Baht 58,511 per metric ton and 19,950 metric tons relate to cash flows that were realised in 2007 at an average price of Baht 68,673 per metric ton.

As at 31 December 2007, all positions have been liquidated, and no unsettled metal forward sales and associated forward foreign exchange contracts in US dollars exist.

	Consolidated		Company	
	Amount		Amount	
	USD	Baht	USD	Baht
<b>Contract values</b>				
<b>As at 31 December 2007:</b>				
<b>For off balance sheet contracts</b>				
Forward contract payables for zinc metal price	-	-	-	-
<b>As at 31 December 2006:</b>				
<b>For off balance sheet contracts</b>				
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

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 describe here above are not of a speculative nature.

**30.3 Fair values**

The carrying amounts at the balance sheet date of cash and cash equivalents, trade accounts receivables, short-term loans and advances to related parties, Value Added Tax receivables, other current assets, investments and certain other assets, loans from financial institutions, trade accounts payables, short-term loans and advances from related parties, accrued interest expenses, accrued electricity expenses, royalty payable, other current liabilities and provision for restoration expenses approximate their fair values.

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

**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 remaining 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 2007, the Company has no outstanding balance left as all principals have already been repaid in June 2007 (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 Note 11 (i) 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 capitalised 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. Events after balance sheet date**

On 15 January 2008, the Company received from the Royal Forestry Department renewed forestry permits for the dressing area and some plots controlling access to the remaining ore stockpiles in the Maesod area allowing the Company to crush and process those ores within the coming months. On 7 February 2008, the Mining Lease Application was approved by the Mineral Act Committee.

On 11 February 2008, the Board of Directors have decided to propose the payment of a dividend in respect of 2007 operating results of Baht 2.74 per share totaling Baht 619.2 million in the Annual Shareholder's Meeting in April 2008.

**32. Reclassification**

Certain items in the balance sheet as at 31 December 2006 and statements of income for the year then ended have been reclassified for comparative purpose to coincide with balance sheet as at 31 December 2007 and statements of income for the year then ended.