

**PADAENG INDUSTRY PUBLIC COMPANY LIMITED**

**CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS**

**31 DECEMBER 2008**

**Padaeng Industry Public Company Limited**  
**Balance Sheets**  
**As at 31 December 2008 and 2007**

	Notes	Consolidated		Company	
		2008 Baht	2007 Baht	2008 Baht	2007 Baht
<b>ASSETS</b>					
<u>Current Assets</u>					
Cash and cash equivalents	6	1,043,293,804	514,608,111	800,779,192	351,075,427
Trade accounts receivables-net					
- other parties	7	338,718,624	278,974,064	338,197,287	275,087,596
- related parties	7, 26 (iv)	-	25,222,828	-	25,222,828
Short-term loans-net	26 (v)	2,449,000	2,449,000	-	1,650,063
Inventories-net	8	1,548,438,171	2,199,580,945	1,548,438,171	2,201,842,506
Value added tax receivables		97,571,271	24,861,246	91,707,320	22,374,586
Other receivables-related parties-net	26 (vi)	-	-	3,307,445	3,597,350
Other current assets	9	198,627,609	90,684,503	197,112,683	89,753,309
<b>Total Current Assets</b>		<b>3,229,098,479</b>	<b>3,136,380,697</b>	<b>2,979,542,098</b>	<b>2,970,603,665</b>
<u>Non-Current Assets</u>					
Investments in related parties-net	10, 26 (i)	212,657,612	132,743,660	475,521,539	371,660,597
Property, plant and equipment-net	11	2,040,918,639	2,019,052,572	2,042,373,739	2,021,297,154
Exploration and acquisition costs	12	916,864,585	456,611,538	191,415,792	130,534,342
Other non-current assets					
- deferred environmental rehabilitation expenses-net	13 (i)	34,981,178	-	34,981,178	-
- deferred environmental risk assurance expenses-net	13 (ii)	30,833,096	-	30,833,096	-
- others	13 (iii)	11,858,473	9,536,028	10,228,848	9,457,528
<b>Total Non-Current Assets</b>		<b>3,248,113,583</b>	<b>2,617,943,798</b>	<b>2,785,354,192</b>	<b>2,532,949,621</b>
<b>Total Assets</b>		<b>6,477,212,062</b>	<b>5,754,324,495</b>	<b>5,764,896,290</b>	<b>5,503,553,286</b>

Director.....

Director.....

**Padaeng Industry Public Company Limited**  
**Balance Sheets (Cont'd)**  
**As at 31 December 2008 and 2007**

	Notes	Consolidated		Company	
		2008 Baht	2007 Baht	2008 Baht	2007 Baht
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<u>Current Liabilities</u>					
Loans from financial institutions	14	754,335,939	-	754,335,939	-
Trade accounts payables					
- other parties		169,678,449	120,064,209	169,126,736	118,427,149
- related parties	26 (iv)	-	6,150,893	-	6,150,893
Advances from other	26 (ix)	425,518,251	126,240,767	-	-
Short-term loan from a related party	26 (x)	-	-	-	80,000,000
Accrued interest expenses					
- other parties		1,455,531	-	1,455,531	-
- a related party	26 (x)	-	-	-	510,137
Accrued electricity expenses		211,016,284	187,124,594	211,016,284	187,124,594
Royalty payable		44,140,979	216,945,530	44,140,979	216,945,530
Other payables	26 (viii)	25,836,262	-	458,703	125,436
Other current liabilities	18	205,591,008	223,652,578	146,482,577	203,480,565
<b>Total Current Liabilities</b>		<b>1,837,572,703</b>	<b>880,178,571</b>	<b>1,327,016,749</b>	<b>812,764,304</b>
<u>Non-Current Liabilities</u>					
Provisions for restoration expenses	16	87,032,557	13,571,494	87,032,557	13,571,494
Provision for employee termination/retirement benefits	17	113,790,600	91,905,766	113,790,600	91,905,766
Others non-current liabilities		1,112,191	-	1,112,191	-
<b>Total Non-Current Liabilities</b>		<b>201,935,348</b>	<b>105,477,260</b>	<b>201,935,348</b>	<b>105,477,260</b>
<b>Total Liabilities</b>		<b>2,039,508,051</b>	<b>985,655,831</b>	<b>1,528,952,097</b>	<b>918,241,564</b>
<u>Shareholders' Equity</u>					
Share capital					
Authorised share capital					
226,000,000 ordinary shares of Baht 10 each		2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Issued and paid-up share capital					
226,000,000 ordinary shares					
of Baht 10 each, fully paid	20	2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Premium on share capital	20	602,413,600	602,413,600	602,413,600	602,413,600
Retained earnings					
Appropriated legal reserve	21	186,003,887	171,962,698	186,003,887	171,962,698
Unappropriated		1,307,718,595	1,686,899,415	1,187,526,706	1,550,935,424
<b>Total Company Shareholders' Equity</b>		<b>4,356,136,082</b>	<b>4,721,275,713</b>	<b>4,235,944,193</b>	<b>4,585,311,722</b>
Minority interests		81,567,929	47,392,951	-	-
<b>Total Shareholders' Equity</b>		<b>4,437,704,011</b>	<b>4,768,668,664</b>	<b>4,235,944,193</b>	<b>4,585,311,722</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>6,477,212,062</b>	<b>5,754,324,495</b>	<b>5,764,896,290</b>	<b>5,503,553,286</b>

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

**Padaeng Industry Public Company Limited**  
**Balance Sheets**  
**For the years ended 31 December 2008 and 2007**

	Notes	Consolidated		Company	
		2008 Baht	2007 Baht	2008 Baht	2007 Baht
Sales and services revenue	5	8,142,298,823	12,072,676,352	8,125,350,516	12,051,396,284
Cost of sales and services		(7,307,769,180)	(10,366,251,857)	(7,295,818,287)	(10,353,418,039)
<b>Gross profit</b>	5	834,529,643	1,706,424,495	829,532,229	1,697,978,245
Selling and administrative expenses	22	(415,442,629)	(564,898,371)	(414,781,556)	(559,716,970)
Royalty expenses		(81,525,987)	(264,741,452)	(81,525,987)	(264,741,452)
<b>Profit from sales and services</b>		337,561,027	876,784,672	333,224,686	873,519,823
Other revenues		16,859,838	19,212,000	20,312,784	22,357,677
Gain (loss) on exchange rate		(52,961,151)	79,062,972	(53,053,605)	79,385,079
Allowance for diminution of inventories	8	(14,797,168)	(23,941,332)	(14,797,168)	(23,941,332)
Directors' remuneration		(1,424,039)	(14,776,244)	(1,424,039)	(14,776,244)
<b>Operating profit</b>	5	285,238,507	936,342,068	284,262,658	936,545,003
Share of loss of investment in jointly controlled entity on equity method		(20,711,048)	(2,538,894)	-	-
<b>Profit before finance costs and corporate income tax</b>		264,527,459	933,803,174	284,262,658	936,545,003
Finance costs-net	23	2,940,359	(560,282)	(3,438,882)	(6,523,824)
<b>Profit before corporate income tax</b>		267,467,818	933,242,892	280,823,776	930,021,179
Corporate income tax		(2,578,763)	(2,935,992)	-	-
<b>Net profit</b>		<u>264,889,055</u>	<u>930,306,900</u>	<u>280,823,776</u>	<u>930,021,179</u>
<b>Attributable to:</b>					
Equity holders of the Company		265,051,674	930,372,488	280,823,776	930,021,179
Minority Interests		(162,619)	(65,588)	-	-
		<u>264,889,055</u>	<u>930,306,900</u>	<u>280,823,776</u>	<u>930,021,179</u>
<b>Earnings per share for profit attributable to the equity holders of the Company</b>					
Basic earnings per share	24	<u>1.17</u>	<u>4.12</u>	<u>1.24</u>	<u>4.12</u>

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

**Padaeng Industry Public Company Limited**  
**Statements of changes in shareholders' equity**  
**For the years ended 31 December 2008 and 2007**

<b>Consolidated</b>							
<b>Notes</b>	<b>Attributable to equity holders of the Company</b>				<b>Total</b>	<b>Minority interest</b>	<b>Total</b>
	<b>Issued and paid-up share capital</b>	<b>Premium on share capital</b>	<b>Retained earnings</b>				
	<b>Baht</b>	<b>Baht</b>	<b>Appropriated legal reserve</b>	<b>Unappropriated</b>			
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Beginning balance as at 1 January 2008</b>	2,260,000,000	602,413,600	171,962,698	1,686,899,415	4,721,275,713	47,392,951	4,768,668,664
Appropriated legal reserve	21	-	-	14,041,189	(14,041,189)	-	-
Actuarial loss recognised in equity	17	-	-	-	(11,044,958)	-	(11,044,958)
Increase in share capital	26 (i)	-	-	-	-	34,337,597	34,337,597
Net profit (loss)		-	-	-	265,051,674	(162,619)	264,889,055
Dividends paid	25	-	-	-	(619,146,347)	-	(619,146,347)
<b>Ending balance as at 31 December 2008</b>		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>186,003,887</u>	<u>1,307,718,595</u>	<u>4,356,136,082</u>	<u>81,567,929</u>

<b>Consolidated</b>							
<b>Notes</b>	<b>Attributable to equity holders of the Company</b>				<b>Total</b>	<b>Minority interest</b>	<b>Total</b>
	<b>Issued and paid-up share capital</b>	<b>Premium on share capital</b>	<b>Retained earnings</b>				
	<b>Baht</b>	<b>Baht</b>	<b>Appropriated legal reserve</b>	<b>Unappropriated</b>			
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Beginning balance as at 1 January 2007</b>	2,260,000,000	602,413,600	125,461,639	1,985,686,934	4,973,562,173	47,458,539	5,021,020,712
Appropriated legal reserve	21	-	-	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	25	-	-	-	(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>4,721,275,713</u>	<u>47,392,951</u>

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

**Padaeng Industry Public Company Limited**  
**Statements of changes in shareholders' equity**  
**For the years ended 31 December 2008 and 2007**

	Notes	Company				Total
		Issued and paid-up share capital	Premium on share capital	Retained earnings		
				Appropriated legal reserve	Unappropriated	
Baht	Baht	Baht	Baht	Baht		
<b>Beginning balance as at 1 January 2008</b>		2,260,000,000	602,413,600	171,962,698	1,550,935,424	4,585,311,722
Appropriated legal reserve	21	-	-	14,041,189	(14,041,189)	-
Actuarial loss recognised in equity	17	-	-	-	(11,044,958)	(11,044,958)
Net profit		-	-	-	280,823,776	280,823,776
Dividends paid	25	-	-	-	(619,146,347)	(619,146,347)
<b>Ending balance as at 31 December 2008</b>		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>186,003,887</u>	<u>1,187,526,706</u>	<u>4,235,944,193</u>

	Notes	Company				Total
		Issued and paid-up share capital	Premium on share capital	Retained earnings		
				Appropriated legal reserve	Unappropriated	
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	21	-	-	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	25	-	-	-	(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>4,585,311,722</u>

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

**Padaeng Industry Public Company Limited**  
**Statements of cash flows**  
**For the years ended 31 December 2008 and 2007**

	Notes	Consolidated		Company	
		2008 Baht	2007 Baht	2008 Baht	2007 Baht
<b>Cash flows from operating activities</b>					
Net profit before tax		267,467,818	933,242,892	280,823,776	930,021,179
<b>Adjustments for:</b>					
Depreciation expenses	11	367,932,154	350,542,556	367,325,295	350,103,992
Other non-current assets amortisation expenses		17,885,521	11,853,191	17,827,003	11,853,191
Interest expenses	23	21,985,696	33,561,604	22,001,312	35,400,165
Interest income	23	(24,926,055)	(33,001,322)	(18,562,430)	(28,876,341)
Share of loss from jointly controlled entity		20,711,048	2,538,894	-	-
Allowance for doubtful debts-trade accounts receivables (reversal)					
- other parties	22	(274,240)	264,481	-	-
Allowance for doubtful debt-other receivables					
- related parties	22	-	-	73,910	298,200
Allowance for slow-moving and obsolete stocks (reversal)	8	(21,064,934)	13,909,370	(21,064,934)	13,909,370
Allowance for diminution of inventories	8	14,797,168	23,941,332	14,797,168	23,941,332
Allowance for unrecoverable interest	22	1,307,977	2,630,327	1,307,977	2,630,327
Provision for employee termination/retirement benefits	17	11,759,176	9,756,372	11,759,176	8,801,068
Provision for annual leave		2,022,202	11,810	2,022,202	11,810
Amortisation of deferred gain on hire purchases		-	(1,148,340)	-	(1,148,340)
Loss on disposal of/write-off property, plant and equipment	11	1,441,657	4,528,977	1,688,580	4,561,805
Impairment expenses (reversal)	11	(943,584)	(6,505,733)	(943,584)	(6,505,733)
Exploration costs written-down	12	15,532,035	32,397,815	14,832,035	32,397,815
Provision for restoration expenses	16	28,334,186	25,882,804	28,334,186	25,882,804
Unrealised (gain) loss on foreign currency exchange		6,880,235	(880,547)	6,880,235	(880,547)
<b>Changes in operating assets and liabilities</b>					
Trade accounts receivables					
- other parties		(59,062,330)	325,706,126	(62,701,701)	321,870,490
- related parties		25,222,828	4,101,906	25,222,828	6,907,862
Inventories		657,410,540	988,164,331	659,672,101	985,902,770
Value added tax receivables		(72,710,025)	49,836,603	(69,332,734)	52,251,029
Other receivables-related parties		-	368,122	215,995	(2,769,547)
Other current assets		(79,166,596)	(64,690,939)	(78,742,411)	(63,756,678)
Other non-current assets		(864,399)	2,094,989	-	2,118,489
Trade accounts payables					
- other parties		48,474,504	(512,415,930)	49,559,851	(513,250,516)
- related parties		(6,150,893)	(5,282,035)	(6,150,893)	(5,282,035)
Advances from a related party		299,277,484	126,016,767	-	-
Accrued electricity expenses		23,891,690	4,968,557	23,891,690	4,968,557
Royalty payable		(172,804,551)	(76,489,817)	(172,804,551)	(76,489,817)
Other payable		25,836,262	-	333,267	(31,010)
Other current liabilities		(20,100,346)	(28,269,344)	(59,493,529)	(39,377,892)
Provision for restoration expenses	16	(23,748,526)	(23,259,743)	(23,748,526)	(23,259,743)
Provision for employee termination/retirement benefits	17	(919,300)	(1,339,104)	(919,300)	(383,800)
Other non-current liabilities		1,112,191	(9,727,104)	1,112,191	(9,727,104)
<b>Cash generated from operation</b>		<b>1,376,546,593</b>	<b>2,183,309,868</b>	<b>1,015,216,185</b>	<b>2,042,093,152</b>
Interest paid		(20,530,165)	(38,144,283)	(21,055,918)	(39,640,515)
Tax paid		(34,224,777)	(2,881,183)	(31,388,812)	(128,014)
<b>Net cash provided by operating activities</b>		<b>1,321,791,651</b>	<b>2,142,284,402</b>	<b>962,771,455</b>	<b>2,002,324,623</b>

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

**Padaeng Industry Public Company Limited**  
**Statements of cash flows (Cont'd)**  
**For the years ended 31 December 2008 and 2007**

	Notes	Consolidated		Company	
		2008 Baht	2007 Baht	2008 Baht	2007 Baht
<b>Cash flows from investing activities</b>					
Cash received from (invested in) short-term loans		-	-	1,650,063	(28,196)
Cash received from interest income		24,519,200	33,131,017	18,514,685	28,754,908
Cash invested in subsidiaries	26 (i)	-	-	(3,235,942)	(5,435,025)
Cash invested in jointly controlled entity	26 (i)	(100,625,000)	(118,124,800)	(100,625,000)	(118,124,800)
Cash paid for purchase of property, plant and equipment	11	(393,818,551)	(276,862,551)	(392,384,899)	(275,499,798)
Cash received from sales of property, plant and equipment	11	3,522,257	3,449,790	3,238,023	3,416,462
Cash paid for exploration	12	(445,949,872)	(181,087,724)	(45,878,275)	(62,012,304)
Cash paid for acquisition costs		(42,056,623)	(6,935,418)	(42,056,623)	(6,935,418)
Cash paid for other non-current assets	13	(4,061,025)	(5,275,375)	(3,315,781)	(5,275,375)
<b>Net cash used in investing activities</b>		<b>(958,469,614)</b>	<b>(551,705,061)</b>	<b>(564,093,749)</b>	<b>(441,139,546)</b>
<b>Cash flows from financing activities</b>					
Deposits (with LME brokers)		-	591,772,404	-	591,772,404
Proceed (payment) on loans from financial institutions		749,702,133	(1,163,921,339)	749,702,133	(1,163,921,339)
Proceed (payment) on a short-term loan from a related party	26 (x)	-	-	(80,000,000)	30,000,000
Dividends payment		(618,673,008)	(1,169,362,607)	(618,673,008)	(1,169,410,764)
Payment on long-term borrowings		-	(80,000,000)	-	(80,000,000)
Accounts payable hire purchase payment		-	(1,919,873)	-	(1,919,873)
Proceed on increase in share capital of a subsidiary	26 (i)	34,337,597	-	-	-
<b>Net cash received (used) in financing activities</b>		<b>165,366,722</b>	<b>(1,823,431,415)</b>	<b>51,029,125</b>	<b>(1,793,479,572)</b>
Effects from changes in exchange rate for cash and cash equivalents		(3,066)	(523)	(3,066)	(523)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>528,685,693</b>	<b>(232,852,597)</b>	<b>449,703,765</b>	<b>(232,295,018)</b>
Cash and cash equivalents at beginning of the year		514,608,111	747,460,708	351,075,427	583,370,445
<b>Cash and cash equivalents at end of the year</b>		<b>1,043,293,804</b>	<b>514,608,111</b>	<b>800,779,192</b>	<b>351,075,427</b>

**Supplementary for statements of cash flows**

Non-cash transaction

During 2008, the Company has recognised deferred environment rehabilitation expenses and deferred environmental risk assurance expenses with provisions for restoration expenses total amounts to Baht 68,875,403.



## **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 registered 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 the Tak Province and a roaster plant located in the 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 smelting zinc, the main products are zinc and zinc alloys
<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 limestone (in the liquidation process) Distribution of various base metals and their by-products (non operating)
<b>Jointly controlled entity</b> Maesod Clean Energy Co., Ltd.	<b>Principal activities</b> Production and distribution of ethanol

These consolidated and company financial statements have been authorised for issue by the Board of Directors at its meeting on 17 February 2009.

## **2. Significant Accounting Policies**

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

### **2.1 Basis of preparation**

These consolidated and company financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, including 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.

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.

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

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

### **2.2 New accounting standard and amendments to accounting standards**

During 2007 and 2008, the Federation of Accounting Profession (“FAP”) has announced the following new standards and amendments to the Thai Accounting Standard (“TAS”):

#### **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”

TAS No. 39 “Accounting Policies, Changes in Accounting Estimates and Errors”

TAS No. 41 “Interim Financial Reporting”

TAS No. 43 “Business Combinations”

TAS No. 49 “Construction Contracts”

#### **New standard**

TAS No. 51 “Intangible Assets”

The amendments to accounting standards and the new accounting standard are effective for the period beginning on or after 1 January 2008 except TAS No. 29 which is effective for the lease contract started on or after 1 January 2008.

The Company's management has determined that those standards did not result in a significant impact on the financial statements being presented except for TAS No.35 which affects the presentation of minority interest and other disclosures as discussed in Note 2.19 and 3 as adopted by the Company.

#### **Revised standards that are effective for accounting periods beginning on or after 1 January 2009 and are not yet adopted by the Company**

TAS No. 36 “Impairment of Assets”

TAS No. 54 “Non-current assets held for sale and Discontinued operations”

Those two standards are not expected to have a material impact on the financial statements presented.

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

#### (1) Subsidiaries

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

In the Company's separate financial statements, investments in subsidiaries are reported by using the cost method.

A list of the Company's subsidiaries is given in Note 26 (i).

#### (2) Jointly controlled entities

In the consolidated financial statement, investment in jointly controlled entities is reported using the equity method of accounting.

In the Company's separate financial statements, interest in jointly controlled entity is reported using the cost method.

A list of the Company's principal jointly controlled entity is given in Note 26 (i).

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

### **2.4 Foreign currency transactions**

Items included in the financial statements of each entity in the Company are measured using Thai Baht. The consolidated financial statements are presented in Thai Baht.

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into Thai Baht at the exchange rate prevailing at the date of the financial statement. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of income.

Statements of income and cash flows of foreign entities are translated into the Company's reporting currency at the average exchange rates for the year and balance sheets are translated at the exchange rates ruling on the financial statement date.

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

Cash and cash equivalents comprise cash on hand, deposits held at call with banks or other short-term highly liquid investments with original maturities of three months or less.

### **2.6 Trade accounts receivables**

Trade accounts receivables are carried at original invoice amount and subsequently measured at the remaining amount less allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in the statement of income with selling and marketing costs.

### **2.7 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials (zinc sulphide, concentrates and zinc silicates), direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Where net realisable value is less than cost, an allowance for the diminution in value of inventories has been provided.

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

### **2.8 Property, plant and equipment**

Property, plant and equipment are recorded at cost. Cost is measured by the cash or cash equivalent price of obtaining the asset and bringing it to the location and condition necessary for its intended use. In the case of self-constructed assets, the cost of construction consists of materials, direct labour and other expenses attributable to the construction which are allocated to the assets on a systematic basis. Property, plant and equipment, except land, are presented in the balance sheet at cost less accumulated depreciation.

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

### **2.8 Property, plant and equipment (Cont'd)**

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

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

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

Residual value and the estimated useful life of the assets are revised at every financial reporting date.

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in statement of income.

### **2.9 Exploration and acquisition costs**

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

Under this basis, accumulated costs of exploration are capitalised and carried forward on 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 exploration costs are amortised by using the straight line basis over the period that they are expected to provide economic benefits. Mining concession fees and acquisition costs have an estimated useful life of 5 to 16 years and are amortised accordingly or over the life of the mine, whichever is shorter.

### **2.10 Intangible assets**

#### Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, not exceeding a period of 3 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include labour costs of the software development team and an appropriate portion of relevant overheads.

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

### **2.10 Intangible assets (Cont'd)**

Expenditure which enhances or extends the performance computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives, not exceeding a period of 3 years.

### **2.11 Environmental restoration costs**

Expenditures related 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.

### **2.12 Impairment of assets**

Property, plant and equipment and other non-current assets, including intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Assets that suffered an impairment are reviewed for possible reversal of impairment loss at the end of each financial period.

### **2.13 Employee Benefits**

The Company operates a provident fund that is a defined contribution plan. The assets of which are held in a separate trust fund. The provident fund is funded by payments from employees and by the Company at a certain percentage of the employee basic salary. Contributions to the provident fund are charged to the statement of income in the year to which they relate.

The Company has commitment on post-retirement benefits to employees on reaching retirement age. The present value of employee benefit liabilities recognised in the balance sheet is determined on an actuarial basis utilising various assumptions. The assumptions used in determining the net period cost for employee benefits includes the discount rate, the rate of salary inflation and employee turnover. Any changes in these assumptions will impact the net periodic cost recorded for employee benefits. On an annual basis the Company determines the appropriate discount rate, which represents the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the employee benefits. In determining the appropriate discount rate the Company considers the current yields on Thai Government Bond.

### **2.14 Provisions**

Provisions, excluding the provisions for employee benefits, 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 will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### **2.15 Revenue recognition**

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

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

### **2.15 Revenue recognition (Cont'd)**

Interest income is recognised on a time proportion basis, taking into account the outstanding principal and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

### **2.16 Dividends**

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

### **2.17 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 the current period income. The fair values of the contracts are based on closing exchange quotations.

The Company also enters into forward derivative contracts to protect itself from movements in the zinc metal price changes related to production, purchases of concentrate and metal and sales of finished products. Those instruments comprise forward contracts for the sale and purchase of zinc metal. Such derivatives are not recognised on balance sheet at inception, since they relate to future transactions (or underlying) which are not yet reflected in the financial statements. Gains and losses on those derivative contracts are recognised in the financial statements upon settlement of the transactions; their valuation at period end is nevertheless mentioned in Note 28.

### **2.18 Critical accounting estimates and judgements**

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

## **3. Capital risk management**

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

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

## **4. Environmental rehabilitation and environmental risk assurance**

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

Deferred environmental risk assurance expenses and provision for environmental risk assurance expenses are recognised in the balance sheet using the present value of the instalments plan.

These deferred expenses are amortised by straight-line method over the useful life of mining area. The provisions are reviewed regularly and any changes in provisions are recognised as finance costs.

**Padaeng Industry Public Company Limited**  
**Notes to the consolidated and company financial statements**  
**For the years ended 31 December 2008 and 2007**

**5. Segment information**

The Company produces a single product in Thailand for both domestic and export markets, using the same assets. The Company does not present segment information as it considers its business operations to be in one segment. Sales of the Company comprised mainly local sales and export to neighbouring countries presenting no material difference in risks and rewards to the Company.

**6. Cash and cash equivalents**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Cash on hand	640,000	640,000	480,000	480,000
Deposits held at call with banks	295,301,506	168,475,357	260,772,704	122,813,498
Cash and bank balances	295,941,506	169,115,357	261,252,704	123,293,498
Bill of exchange	747,352,298	345,492,754	539,526,488	227,781,929
Cash and cash equivalents	<u>1,043,293,804</u>	<u>514,608,111</u>	<u>800,779,192</u>	<u>351,075,427</u>

The average interest rates on deposits and short-term investments are in the range of 0.13% - 2.32% (2007: 0.13% - 4.98%).

**7. Trade accounts receivables-net**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Trade accounts receivables-third parties-gross	346,806,891	293,222,884	338,197,287	275,087,596
<u>Less: Allowance for doubtful accounts</u>	<u>(8,088,267)</u>	<u>(14,248,820)</u>	<u>-</u>	<u>-</u>
	338,718,624	278,974,064	338,197,287	275,087,596
Trade accounts receivables-related parties	-	25,222,828	-	25,222,828
Trade accounts receivables-net	<u>338,718,624</u>	<u>304,196,892</u>	<u>338,197,287</u>	<u>300,310,424</u>

Outstanding trade accounts receivables as at 31 December 2008 and 2007 can be analysed as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Up to 3 months	338,576,974	303,709,942	338,055,637	300,168,774
3-6 months	-	71,060	-	-
6-12 months	-	690,130	-	141,650
Over 12 months	8,229,917	13,974,580	141,650	-
	346,806,891	318,445,712	338,197,287	300,310,424
<u>Less: Allowance for doubtful accounts</u>	<u>(8,088,267)</u>	<u>(14,248,820)</u>	<u>-</u>	<u>-</u>
	<u>338,718,624</u>	<u>304,196,892</u>	<u>338,197,287</u>	<u>300,310,424</u>

**8. Inventories-net**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Raw materials	611,150,694	1,077,725,610	611,150,694	1,079,987,171
Spare parts and consumables	285,911,263	169,591,503	285,911,263	169,591,503
Goods in transit	2,068,971	16,056,961	2,068,971	16,056,961
Work in process	488,645,211	654,784,427	488,645,211	654,784,427
Finished goods	220,650,141	347,678,319	220,650,141	347,678,319
	<u>1,608,426,280</u>	<u>2,265,836,820</u>	<u>1,608,426,280</u>	<u>2,268,098,381</u>
<u>Less: Allowance for obsolete and slow moving inventories</u>	<u>(21,249,609)</u>	<u>(42,314,543)</u>	<u>(21,249,609)</u>	<u>(42,314,543)</u>
<u>Allowance for diminution of inventories</u>	<u>(38,738,500)</u>	<u>(23,941,332)</u>	<u>(38,738,500)</u>	<u>(23,941,332)</u>
Inventories-net	<u>1,548,438,171</u>	<u>2,199,580,945</u>	<u>1,548,438,171</u>	<u>2,201,842,506</u>

**Padaeng Industry Public Company Limited**  
**Notes to the consolidated and company financial statements**  
**For the years ended 31 December 2008 and 2007**

**9. Other current assets**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</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	11,133,011	9,825,034	11,133,011	9,825,034
Other receivables	153,017,775	66,386,605	152,694,646	66,386,605
Recoverable taxes	30,931,268	-	30,931,268	-
Others	14,678,566	24,297,898	13,486,769	23,366,704
	244,831,652	135,580,569	243,316,726	134,649,375
<u>Less: Allowance for doubtful accounts</u>	<u>(46,204,043)</u>	<u>(44,896,066)</u>	<u>(46,204,043)</u>	<u>(44,896,066)</u>
<b>Total</b>	<b>198,627,609</b>	<b>90,684,503</b>	<b>197,112,683</b>	<b>89,753,309</b>

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Subsidiaries and jointly controlled entity				
Opening net book amount	132,743,660	17,157,754	371,660,597	248,100,772
Increase in share capital (Note 26 (i))	100,625,000	118,124,800	103,860,942	134,950,119
Share of result in jointly controlled entity	(20,711,048)	(2,538,894)	-	-
Diminution of investments	-	-	-	(11,390,294)
Closing net book amount	212,657,612	132,743,660	475,521,539	371,660,597

**i) Investments in jointly controlled entity**

	<b>Business</b>	<b>Country of Incorporation</b>	<b>% Ownership Interest</b>	
			<b>2008</b>	<b>2007</b>
Maesod Clean Energy Co., Ltd.	Production and distribution of ethanol	Thailand	35	35

The Company has a 35% interest in a jointly controlled entity, Maesod Clean Energy Co., Ltd., which produces ethanol as an alternative energy source. The following amounts represent the significant items as at and for the year then ended 31 December 2008 and 2007 of the jointly controlled entity:

	<b>2008</b>	<b>2007</b>
	<b>'000 Baht</b>	<b>'000 Baht</b>
Property, plant and equipment	1,495,198	37,094
Current assets	548,878	359,118
Non-current assets	2,497	210,992
<b>Total assets</b>	<b>2,046,573</b>	<b>607,204</b>
Long-term borrowing	1,264,505	-
Current liabilities	174,474	228,871
<b>Total liabilities</b>	<b>1,438,979</b>	<b>228,871</b>
<b>Net assets</b>	<b>607,594</b>	<b>378,333</b>
Revenues	62,667	13,116
Expenses	(121,841)	(20,370)
<b>Net loss for the year</b>	<b>(59,174)</b>	<b>(7,254)</b>

There are no contingent liabilities relating to the Company's interest in the jointly controlled entity.



**Padaeng Industry Public Company Limited**  
**Notes to the consolidated and company financial statements**  
**For the years ended 31 December 2008 and 2007**

**11. 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, furniture and fixtures Baht</b>	<b>Vehicles Baht</b>	<b>Building and machinery under constructions Baht</b>	
<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>
<b>Year ended 31 December 2008</b>							
Opening balance	431,113,968	459,008,617	913,888,604	58,148,927	74,454,477	82,437,979	2,019,052,572
Additions	-	-	-	2,919,838	-	390,898,713	393,818,551
Transfers	15,535,104	45,517,000	272,976,168	33,310,522	22,885,112	(390,223,906)	-
Disposals of/write-off property, plant and equipment	-	-	(3,587,291)	(84,671)	(1,291,952)	-	(4,963,914)
Closing book amount	446,649,072	504,525,617	1,183,277,481	94,294,616	96,047,637	83,112,786	2,407,907,209
<u>Less:</u> Depreciation expense	(22,205,784)	(73,860,926)	(228,909,659)	(23,983,302)	(18,972,483)	-	(367,932,154)
Provision for impairment released	-	-	943,584	-	-	-	943,584
Closing net book amount	<u>424,443,288</u>	<u>430,664,691</u>	<u>955,311,406</u>	<u>70,311,314</u>	<u>77,075,154</u>	<u>83,112,786</u>	<u>2,040,918,639</u>
<b>At 31 December 2008</b>							
Cost	718,610,701	1,653,277,135	4,960,163,885	438,816,065	240,341,805	83,112,786	8,094,322,377
<u>Less:</u> Accumulated depreciation	(290,858,669)	(1,222,500,058)	(3,839,796,760)	(367,211,985)	(163,083,529)	-	(5,883,451,001)
Accumulated provision for impairment	(3,308,744)	(112,386)	(165,055,719)	(1,292,766)	(183,122)	-	(169,952,737)
Net book amount	<u>424,443,288</u>	<u>430,664,691</u>	<u>955,311,406</u>	<u>70,311,314</u>	<u>77,075,154</u>	<u>83,112,786</u>	<u>2,040,918,639</u>

Fully depreciated property, plant and equipment still in use included in cost as at 31 December 2008 amount to Baht 2,791.3 million (2007: Baht 1,951.7 million).

**Padaeng Industry Public Company Limited**  
**Notes to the consolidated and company financial statements**  
**For the years ended 31 December 2008 and 2007**

**11. 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, furniture and fixtures Baht</b>	<b>Vehicles Baht</b>	<b>Building and machinery under constructions Baht</b>	
<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>
<b>Year ended 31 December 2008</b>							
Opening balance	434,623,906	459,008,617	913,888,604	56,888,892	74,449,156	82,437,979	2,021,297,154
Additions	-	-	-	1,486,186	-	390,898,713	392,384,899
Transfers	15,535,104	45,517,000	272,976,168	33,310,522	22,885,112	(390,223,906)	-
Disposals of/write-off property, plant and equipment	-	-	(3,587,291)	(48,860)	(1,290,452)	-	(4,926,603)
Closing book amount	450,159,010	504,525,617	1,183,277,481	91,636,740	96,043,816	83,112,786	2,408,755,450
<u>Less:</u> Depreciation expense	(22,205,784)	(73,860,926)	(228,909,659)	(23,379,767)	(18,969,159)	-	(367,325,295)
Provision for impairment released	-	-	943,584	-	-	-	943,584
Closing net book amount	<u>427,953,226</u>	<u>430,664,691</u>	<u>955,311,406</u>	<u>68,256,973</u>	<u>77,074,657</u>	<u>83,112,786</u>	<u>2,042,373,739</u>
<b>At 31 December 2008</b>							
Cost	722,120,639	1,653,277,135	4,960,163,885	435,416,787	240,321,804	83,112,786	8,094,413,036
<u>Less:</u> Accumulated depreciation	(290,858,669)	(1,222,500,058)	(3,839,796,760)	(365,867,048)	(163,064,025)	-	(5,882,086,560)
Accumulated provision for impairment	(3,308,744)	(112,386)	(165,055,719)	(1,292,766)	(183,122)	-	(169,952,737)
Net book amount	<u>427,953,226</u>	<u>430,664,691</u>	<u>955,311,406</u>	<u>68,256,973</u>	<u>77,074,657</u>	<u>83,112,786</u>	<u>2,042,373,739</u>

Fully depreciated property, plant and equipment still in use included in cost as at 31 December 2008 amount to Baht 2,791.1 million (2007: Baht 1,949.6 million).

**Padaeng Industry Public Company Limited**  
**Notes to the consolidated and company financial statements**  
**For the years ended 31 December 2008 and 2007**

**11. 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>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Opening balances	170,896,321	177,402,054	170,896,321	177,402,054
Provision for impairment	3,064,909	-	3,064,909	-
Reversal from disposals/write-off	(4,008,493)	(6,505,733)	(4,008,493)	(6,505,733)
Ending balances	<u>169,952,737</u>	<u>170,896,321</u>	<u>169,952,737</u>	<u>170,896,321</u>

**12. Exploration and acquisition costs**

Exploration and acquisition costs as at 31 December 2008 and 2007 comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<u>Exploration costs</u>				
Opening balance for the year	401,134,493	252,444,584	75,057,297	45,442,808
Expenditure incurred during the year	445,949,872	181,087,724	45,878,275	62,012,304
Expenditure written-down	(15,532,035)	(32,397,815)	(14,832,035)	(32,397,815)
Ending balance for the year	<u>831,552,330</u>	<u>401,134,493</u>	<u>106,103,537</u>	<u>75,057,297</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	(33,333,360)	(26,666,688)	(33,333,360)	(26,666,688)
Ending balance for the year	<u>26,666,640</u>	<u>33,333,312</u>	<u>26,666,640</u>	<u>33,333,312</u>
Land use compensation-net	37,254,779	14,927,106	37,254,779	14,927,106
Other capitalised expenditure-net	21,390,836	7,216,627	21,390,836	7,216,627
Ending balance for the year	<u>85,312,255</u>	<u>55,477,045</u>	<u>85,312,255</u>	<u>55,477,045</u>
Total (Note 12 (i))	<u>916,864,585</u>	<u>456,611,538</u>	<u>191,415,792</u>	<u>130,534,342</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. have entered into a Participation Agreement (the "Agreement") with PanAust Limited ("PanAust") and PNA (Puthep) Pty Ltd. of Australia, which is a wholly owned subsidiary of PanAust, to undertake exploration and mining of Puthep Copper Project in north-east Thailand. Under the Agreement, PanAust and the Company have agreed that through bearing certain feasibility costs PNA (Puthep) Pty Ltd. shall be entitled to earn a shareholding in Puthep Co., Ltd. PNA (Puthep) Pty Ltd. 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 PanAust to acquire a total interest of either 60% or 70% in Puthep Co., Ltd.

**Padaeng Industry Public Company Limited**  
**Notes to the consolidated and company financial statements**  
**For the years ended 31 December 2008 and 2007**

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

PNA (Puthep) Pty Ltd. 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 (Puthep) Pty Ltd. obtained, through a capital increase, a 20.66% ownership interest in Puthep Co., Ltd.

On 10 July 2007, PNA (Puthep) Pty Ltd. 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, PNA (Puthep) Pty Ltd. put the right to earn an additional share of 12.51% in Puthep Co., Ltd. for a total share of 33.17% on 9 June 2008.

The capitalised exploration and acquisition costs incurred by **Puthep Co., Ltd.** amount to Baht 717.5 million. On 1 November 2006, the land access permits for completion of Puthep 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) to obtain land access and conduct the complementary exploration and technical studies needed to confirm the feasibility of the project. On 31 October 2008, the land access permits for exploration of Puthep Co., Ltd. have expired. Presently, Puthep Co., Ltd. is in the process of preparing a feasibility study and an Environmental Impact Assessment (EIA) which are expected to be completed in September 2009.

In October 2006, the Company signed an exploration agreement with the Department of Mines and Geology of the Lao 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 8 million in exploration costs has been capitalised on the consolidated balance sheet.

**13. Other non-current assets**

Other non-current assets as at 31 December 2008 and 2007 comprise:

**i) Deferred environment rehabilitation expenses-net**

	Consolidated		Company	
	2008	2007	2008	2007
	Baht	Baht	Baht	Baht
Opening balance	-	-	-	-
Additions	36,608,210	-	36,608,210	-
Closing book amount	36,608,210	-	36,608,210	-
<u>Less: Amortisation expense</u>	<u>(1,627,032)</u>	<u>-</u>	<u>(1,627,032)</u>	<u>-</u>
Closing net book amount	<u>34,981,178</u>	<u>-</u>	<u>34,981,178</u>	<u>-</u>

**ii) Deferred environment risk assurance expenses-net**

	Consolidated		Company	
	2008	2007	2008	2007
	Baht	Baht	Baht	Baht
Opening balance	-	-	-	-
Additions	32,267,193	-	32,267,193	-
Closing book amount	32,267,193	-	32,267,193	-
<u>Less: Amortisation expense</u>	<u>(1,434,097)</u>	<u>-</u>	<u>(1,434,097)</u>	<u>-</u>
Closing net book amount	<u>30,833,096</u>	<u>-</u>	<u>30,833,096</u>	<u>-</u>

**Padaeng Industry Public Company Limited**  
**Notes to the consolidated and company financial statements**  
**For the years ended 31 December 2008 and 2007**

**13. Other non-current assets (Cont'd)**

**iii) Others**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Deposits and instalment 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	5,573,490	1,136,887	5,573,490	1,136,887
Additions	4,061,025	5,275,375	3,315,781	5,275,375
Closing book amount	9,634,515	6,412,262	8,889,271	6,412,262
<u>Less: Amortisation expense</u>	<u>(2,602,979)</u>	<u>(838,772)</u>	<u>(2,544,461)</u>	<u>(838,772)</u>
Closing net book amount	7,031,536	5,573,490	6,344,810	5,573,490
Deposits	1,068,311	797,811	719,311	719,311
Others	3,758,626	3,164,727	3,164,727	3,164,727
Total	11,858,473	9,536,028	10,228,848	9,457,528

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

Others

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

**14. Loans from financial institutions**

Loans from financial institutions as at 31 December 2008 and 2007 comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Trust Receipts	603,335,939	-	603,335,939	-
Promissory Notes	151,000,000	-	151,000,000	-
Total	754,335,939	-	754,335,939	-

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 and promissory notes are 2.90% - 5.60%.

**Financing arrangements available**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</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	3,622,844,000	4,480,400,000	3,622,844,000	4,480,400,000
Bank Guarantee	1,483,688,000	860,315,000	1,483,648,000	860,275,000
Total	5,166,532,000	5,400,715,000	5,166,492,000	5,400,675,000

**Padaeng Industry Public Company Limited**  
**Notes to the consolidated and company financial statements**  
**For the years ended 31 December 2008 and 2007**

**15. Bank guarantees**

As at 31 December 2008, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 494.7 million (2007: Baht 440.1 million).

**16. Provisions for restoration expenses**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Balance at the beginning of the year	13,571,494	10,948,433	13,571,494	10,948,433
Additional provisions charged to				
- deferred assets (Note 13 (i) and note 13 (ii))	68,875,403	-	68,875,403	-
- the statement of income	28,334,186	25,882,804	28,334,186	25,882,804
Amounts utilised	(23,748,526)	(23,259,743)	(23,748,526)	(23,259,743)
Balance at the end of the year	<u>87,032,557</u>	<u>13,571,494</u>	<u>87,032,557</u>	<u>13,571,494</u>

The provisions for restoration costs represent amounts provided for the estimated costs of restoration of residual ponds at Tak as well as rehabilitation and environmental risk assurance of the Mae Sod mine area in accordance with government regulations and Company's commitments.

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Balance at the beginning of the year	91,905,766	76,029,550	91,905,766	76,029,550
Additional provisions charged to				
the statement of income	11,759,176	9,756,372	11,759,176	8,801,068
Amounts utilised	(919,300)	(1,339,104)	(919,300)	(383,800)
Actuarial loss recognised in equity	<u>11,044,958</u>	<u>7,458,948</u>	<u>11,044,958</u>	<u>7,458,948</u>
Balance at the end of the year	<u>113,790,600</u>	<u>91,905,766</u>	<u>113,790,600</u>	<u>91,905,766</u>

**18. Other current liabilities**

Other current liabilities as of 31 December 2008 and 2007 comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Social security and other taxes	9,770,803	10,793,621	8,632,976	9,083,987
Accrued expenses	64,143,769	121,260,436	57,282,657	104,422,141
Other payables	131,676,436	91,598,521	80,566,944	89,974,437
Total	<u>205,591,008</u>	<u>223,652,578</u>	<u>146,482,577</u>	<u>203,480,565</u>

**19. Capital expenditures and commitments**

As at 31 December 2008 and 2007, the Company has the following commitments for the acquisition of plant and equipment that have been contracted but not recorded as liabilities:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Not later than 1 year	22,275,712	126,888,463	22,275,712	126,888,463
Later than 1 year	240,800	-	240,800	-
Total	<u>22,516,512</u>	<u>126,888,463</u>	<u>22,516,512</u>	<u>126,888,463</u>

**Padaeng Industry Public Company Limited**  
**Notes to the consolidated and company financial statements**  
**For the years ended 31 December 2008 and 2007**

**19. Capital expenditures and commitments (Cont'd)**

As at 31 December 2008 and 2007, the Company has the following commitments for the purchase of inventories that have been contracted but not recorded as liabilities:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Not later than 1 year	148,499,307	3,077,529,993	148,499,307	3,077,529,993
Later than 1 year	-	-	-	-
<b>Total</b>	<b>148,499,307</b>	<b>3,077,529,993</b>	<b>148,499,307</b>	<b>3,077,529,993</b>

In addition, as at 31 December 2008, the Company has commitments for the purchase of inventories that have been contracted only in term of quantities at 47,000 - 50,000 wet metric tons and 20,000 - 30,000 dry metric tons.

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

	<b>Number of shares</b>	<b>Ordinary shares Baht</b>	<b>Shares premium Baht</b>	<b>Total Baht</b>
<b>For the years ended 31 December 2008</b>				
<b>Opening balance</b>	226,000,000	2,260,000,000	602,413,600	2,862,413,600
Movement during the year	-	-	-	-
<b>Closing balance</b>	<b>226,000,000</b>	<b>2,260,000,000</b>	<b>602,413,600</b>	<b>2,862,413,600</b>

As at 31 December 2008, the total authorised number of ordinary shares is 226,000,000 shares (2007: 226,000,000 shares) with a par value of Baht 10 per share (2007: Baht 10 per share). All issued shares are fully paid.

**21. Legal reserve**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Balance at the beginning of the year	171,962,698	125,461,639	171,962,698	125,461,639
Appropriation during the year	14,041,189	46,501,059	14,041,189	46,501,059
Balance at the end of the year	<b>186,003,887</b>	<b>171,962,698</b>	<b>186,003,887</b>	<b>171,962,698</b>

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. The legal reserve is non-distributable.

**22. Selling and administrative expenses**

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Plant expenses not allocated to cost of sales and services	71,789,703	186,261,981	71,789,703	186,261,981
Salaries, bonus and benefits to employees	127,090,966	182,022,888	104,911,241	172,943,994
Freight and transportation costs to customers	85,536,597	77,060,760	85,536,597	77,060,760
Exploration costs	18,111,066	40,100,394	17,411,066	40,100,394
Depreciation expenses	31,760,724	17,208,054	31,117,784	16,790,823
Bank guarantee fee/Bank charges	5,171,288	3,398,752	5,171,288	6,913,743
Insurance premium	6,485,210	5,902,147	6,473,047	5,843,776
Allowance for other receivables-related parties	-	-	73,910	298,200
Bad debt expenses (reversal)	(274,240)	264,481	-	-
Allowance for unrecoverable interest (Note 9)	1,307,977	2,630,327	1,307,977	2,630,327
Provision for employee termination/retirement benefits (Note 17)	11,759,176	9,756,372	11,759,176	8,801,068
Allowance for slow-moving and obsolete stocks (reversal)	517,888	(6,590,630)	517,888	(6,590,630)
Impairment expenses (reversal) (Note 11)	(943,584)	(6,505,733)	(943,584)	(6,505,733)
Other expenses	57,129,858	53,388,578	79,655,463	55,168,267
<b>Total</b>	<b>415,442,629</b>	<b>564,898,371</b>	<b>414,781,556</b>	<b>559,716,970</b>

**Padaeng Industry Public Company Limited**  
**Notes to the consolidated and company financial statements**  
**For the years ended 31 December 2008 and 2007**

**23. Finance costs-net**

Finance costs relate to the following:

For the years ended 31 December	Consolidated		Company	
	2008	2007	2008	2007
	Baht	Baht	Baht	Baht
Interest income	24,926,055	33,001,322	18,562,430	28,876,341
Interest expense	(21,985,696)	(33,561,604)	(22,001,312)	(35,400,165)
Finance costs-net	2,940,359	(560,282)	(3,438,882)	(6,523,824)

**24. 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	
	2008	2007	2008	2007
	Net profit attributable to common shareholders (Baht)	265,051,674	930,372,488	280,823,776
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)	1.17	4.12	1.24	4.12

There are no potential dilutive ordinary shares in issue for the years ended 31 December 2008 and 2007.

**25. Dividend**

At the Annual Ordinary General Meeting of Shareholders held on 23 April 2008, the Shareholders approved the payment of an annual dividend from net profit of the Company for the year ended 31 December 2007 of Baht 2.74 per share (2006: Baht 5.20 per share) totalling Baht 619.2 million (2006: totalling Baht 1,175.2 million). The dividend was paid on 20 May 2008.

**26. Related parties transactions**

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

The Company has been informed by their declaration to the Stock Exchange of Thailand that on 4 April 2008, the two major shareholders of the Company, Umicore and Nyrstar, have sold their shares of 22.00% and 24.90% respectively on the stock exchange.

Consequently, there are no major shareholders. The Company's shares are widely held.



**Padaeng Industry Public Company Limited**  
**Notes to the consolidated and company financial statements**  
**For the years ended 31 December 2008 and 2007**

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

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

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

	<b>Consolidated</b>				<b>Company</b>			
	<b>31 December 2008</b>				<b>31 December 2008</b>			
	<b>Equity</b>	<b>Paid-up</b>	<b>%</b>	<b>Cost</b>	<b>Equity</b>	<b>Paid-up</b>	<b>%</b>	<b>Cost</b>
	<b>Baht</b>	<b>capital</b>	<b>ownership</b>	<b>Baht</b>	<b>Baht</b>	<b>capital</b>	<b>ownership</b>	<b>Baht</b>
		<b>Baht</b>	<b>investment</b>	<b>Baht</b>		<b>Baht</b>	<b>investment</b>	<b>Baht</b>
<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.	-	217,942,152	66.83	145,650,772	-	183,575,800	79.34	145,650,772
Padaeng Industry (Laos) Co., Ltd.	-	28,886,069	100	28,886,069	-	25,650,127	100	25,650,127
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.	212,657,612	675,000,000	35	236,249,800	132,743,660	387,500,000	35	135,624,800
<b>Total</b>	<b>212,657,612</b>			<b>495,836,641</b>	<b>132,743,660</b>			<b>391,975,699</b>
<b>Less : Diminution</b>								
Padaeng Industry (Laos) Co., Ltd.	-			(20,215,102)	-			(20,215,102)
Padaeng International Mining Co., Ltd.	-			(100,000)	-			(100,000)
<b>Investments in related parties-net</b>	<b>212,657,612</b>			<b>475,521,539</b>	<b>132,743,660</b>			<b>371,660,597</b>

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

**26. 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 Public Company Limited. The jointly controlled entity will produce ethanol as an alternative energy source. 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. In September 2007, Maesod Clean Energy Co., Ltd. called for payment of the balance of the initial shares. The entity is consolidated under the equity method.

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. subscribed for an additional 20,125,000 new shares in this company for which Baht 5 have been called.

In July 2008, Maesod Clean Energy Co.,Ltd. called for the balance of additional 20,125,000 shares of Baht 10 par in the amount of Baht 100,625,000. Accordingly, as at 31 December 2008, Padaeng Industry Plc. subscribed to a total of 23,625,000 shares for a cumulative amount of Baht 236,249,800.

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 a conversion of debt 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, the 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.

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.

On 24 November and 3 December 2008, Padaeng Industry Plc. has paid Baht 773,402 and Baht 2,462,540 respectively for additional share capital increases.

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.

In August 2007, the Board of Directors of **Sila Enterprise Co., Ltd.** passed a resolution to liquidate the company. The dissolution has been approved in the Extraordinary Shareholders' meeting no.1/2008 and 2/2008 on 16 April and 30 April 2008, respectively and was registered with the Ministry of Commerce on 8 May 2008. The company has stopped its commercial activities since 18 October 2007 and is currently in the liquidation process.

**Padaeng Industry Public Company Limited**  
**Notes to the consolidated and company financial statements**  
**For the years ended 31 December 2008 and 2007**

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

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

On 9 June 2008, the shareholders at the Extraordinary Shareholders' Meeting passed a resolution to approve an increase in the authorised share capital of **Puthep Co., Ltd.** from 2,960,900 ordinary shares with a par value of Baht 62 per share to 3,515,196 ordinary shares with a par value of Baht 62 per share. The company registered the increased share capital with the Ministry of Commerce at the same date.

**ii) Sales of goods and services**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</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	1,087,200
Padaeng Industry (Laos) Co., Ltd.	-	-	1,609,072	1,188,325
Puthep Co., Ltd.	-	-	760,975	940,753
Sila Enterprise Co., Ltd.	-	-	-	5,640,237
Nyrstar Belgium SA/NV	-	179,312,830	-	179,312,830
Umicore Marketing Services (Thailand) Co., Ltd.	36,879,003	178,122,732	36,879,003	178,122,732
Umicore Marketing Services (Far East) Ltd.	-	78,819,042	-	78,819,042

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>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	2,172,894	1,850,856
Padaeng Industry (Laos) Co., Ltd.	-	-	-	13,787,165
Maesod Clean Energy Co.,Ltd.	185,650	-	185,650	-
Umicore Marketing Services (Thailand) Co., Ltd.	6,157,680	55,175,716	6,157,680	55,175,716
Umicore Australia Limited	-	29,480,610	-	29,480,610

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>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Receivables from related parties:				
Nyrstar Belgium SA/NV	-	7,628,960	-	7,628,960
Umicore Malaysia Sdn Bhd Co., Ltd.	-	8,678,448	-	8,678,448
Umicore Marketing Services (Thailand) Co., Ltd.	-	7,237,104	-	7,237,104
Umicore Marketing Services (Hong Kong) Ltd.	-	1,678,316	-	1,678,316
<b>Total</b>	<b>-</b>	<b>25,222,828</b>	<b>-</b>	<b>25,222,828</b>

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Payables to related parties:				
Umicore	-	1,792,940	-	1,792,940
Umicore Marketing Services (Thailand) Co., Ltd.	-	4,357,953	-	4,357,953
<b>Total</b>	<b>-</b>	<b>6,150,893</b>	<b>-</b>	<b>6,150,893</b>

**Padaeng Industry Public Company Limited**  
**Notes to the consolidated and company financial statements**  
**For the years ended 31 December 2008 and 2007**

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

**v) Short-term loans-net**

	Consolidated		Company	
	2008 Baht	2007 Baht	2008 Baht	2007 Baht
Puthep Co., Ltd.	-	-	-	1,650,063
Minority Shareholder of Sila Enterprise Co., Ltd.	2,449,000	2,449,000	-	-
<b>Total</b>	<b>2,449,000</b>	<b>2,449,000</b>	<b>-</b>	<b>1,650,063</b>

As at 31 December 2008, the Company has no outstanding balance of short term loan to Puthep Co.,Ltd. due to full repayment in April 2008.

In May 2006, Sila Enterprise Co., Ltd. contracted a short-term loan in favour of one of its minority shareholder. The loan amounts to Baht 2.4 million and was granted on 22 May 2006, bearing the fixed 12-month interest rates in the range of 2.38% - 4.75% per annum. As at 31 December 2008, Sila Enterprise Co., Ltd. has the interest receivable in the amount of Baht 182,175 and all the interest will be paid on the principal repayment date.

**vi) Other receivables-related parties-net**

	Consolidated		Company	
	2008 Baht	2007 Baht	2008 Baht	2007 Baht
Padaeng Properties Co., Ltd.	-	-	94,842	1,138,104
Padaeng Industry (Laos) Co., Ltd.	-	-	2,993,215	1,271,507
Puthep Co., Ltd.	-	-	219,388	1,141,592
Padaeng International Mining Co., Ltd.	-	-	73,910	46,147
	-	-	3,381,355	3,597,350
<u>Less: Allowance for doubtful accounts</u>	-	-	(73,910)	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>3,307,445</b>	<b>3,597,350</b>

**vii) Long-term loan to a related party-net**

	Consolidated		Company	
	2008 Baht	2007 Baht	2008 Baht	2007 Baht
Padaeng International Mining Co., Ltd.	-	-	344,800	344,800
<u>Less: Allowance for doubtful accounts</u>	-	-	(344,800)	(344,800)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

As at 31 December 2008, the above mentioned loans to Padaeng International Mining Co.,Ltd. is calculated at interest rates of MLR+1% p.a.

**viii) Other payables**

	Consolidated		Company	
	2008 Baht	2007 Baht	2008 Baht	2007 Baht
Padaeng Properties Co., Ltd.	-	-	273,053	125,436
Mae Sod Clean Energy Co.,Ltd.	185,650	-	185,650	-
PNA (Puthep) Pty Ltd.	25,650,612	-	-	-
<b>Total</b>	<b>25,836,262</b>	<b>-</b>	<b>458,703</b>	<b>125,436</b>

**Padaeng Industry Public Company Limited**  
**Notes to the consolidated and company financial statements**  
**For the years ended 31 December 2008 and 2007**

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

**ix) Advances from other**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<u>PNA (Puthep) Pty Ltd.</u>				
Beginning balance of the year	126,240,767	224,000	-	-
Advances increase during the year	299,277,484	126,016,767	-	-
Ending balance of the year	425,518,251	126,240,767	-	-

**x) Short-term loan from a related party**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</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	-	-	80,000,000	50,000,000
Loans increase (decrease) during the year	-	-	(80,000,000)	30,000,000
Ending balance of the year	-	-	-	80,000,000
Accrued interest expenses	-	-	-	510,137

The above mentioned loan from South East Asia Metals Co., Ltd. was an unsecured one-month term promissory note at an interest rate of 2.38%. As at 31 December 2008, the Company has no outstanding balance left as all principals have already been repaid in January 2008.

**27. 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 Calcine 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.

**Padaeng Industry Public Company Limited**  
**Notes to the consolidated and company financial statements**  
**For the years ended 31 December 2008 and 2007**

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

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

**As at 31 December 2008:**

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		USD	Baht	USD	Baht
Cash at banks	-	6,293	219,022	6,293	219,022
Accounts receivables	7-20	3,607,614	125,563,350	3,607,614	125,563,350
Unrealised forward exchange contract payables (sell)	0-67	13,424,823	470,033,695	13,424,823	470,033,695
Unrealised forward exchange contract receivables (buy)	0-144	8,435,529	295,119,055	8,435,529	295,119,055
Trust Receipts	30-180	12,815,301	449,591,501	12,815,301	449,591,501
Accounts payables	30-180	2,627,672	92,185,050	2,627,672	92,185,050

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		EUR	Baht	EUR	Baht
Unrealised forward contract receivables (buy)	0-140	230,600	11,211,772	230,600	11,211,772
Accounts payables	45	2,084	103,474	2,084	103,474

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		AUD	Baht	AUD	Baht
Unrealised forward contract receivables (buy)	0-25	118,370	2,922,558	118,370	2,922,558
Accounts payables	15-30	72,790	1,774,694	72,790	1,774,694

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		GBP	Baht	GBP	Baht
Accounts payables	14-23	10,766	550,496	10,766	550,496

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		HKD	Baht	HKD	Baht
Accounts payables	17	1,000	4,543	1,000	4,543

**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 (sell)	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 (buy)	30-60	1,813,401	61,447,081	1,813,401	61,447,081
Realised forward exchange contract payables for zinc metal price (sell)	30	365,300	12,275,183	365,300	12,275,183
Realised forward exchange contract receivables for zinc metal price (buy)	30	365,300	12,295,132	365,300	12,295,132

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

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

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		EUR	Baht	EUR	Baht
Unrealised 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

Foreign currency amounts are translated by using the reference rate quoted by the Bank of Thailand as at 31 December 2008 and 31 December 2007, respectively.

**28.2 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 full transactional hedging with the purpose to balance simultaneously purchased metal and sold metal, in term of price, quantity and maturity date. As at 31 December 2008, the net sale of 1,650 metric tons on the London Metal Exchange are outstanding. The change in fair value of these open positions amounts to USD 488,659, unfavourable. These fair values reflect the mark to market values of the contracts at the prevailing period end rates. These positions will be balanced by committed and priced physical purchases and sales contracts which are done or to be done in the future.

The changes in fair value of the above hedged contracts have not been recognised in these financial statements in accordance with Thai Generally Accepted Accounting Principles.

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 its exposure to fluctuations in metals prices from its own mining production, on treatment charges received and its 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 19,950 metric tons of metal forward sales over the year 2007 and associated forward foreign exchange contracts in US dollars was completed. The aforementioned volume of 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 2008, there is no position of metal hedged existing and no similar hedges have been entered over the current or future years.

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.

**28.3 Fair values**

The carrying amounts at the financial statements date of cash and cash equivalents, trade accounts receivables, short-term loans 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 other parties, accrued interest expenses, accrued electricity expenses, royalty payable, other current liabilities and provision for restoration expenses approximate their fair values.

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

**28.4 Credit risk**

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

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

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

**28.5 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. As of 31 December 2008, the Company has no outstanding long-term loan as all principals have already been repaid in June 2007.

**28.6 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 12(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.

**29. Events after balance sheet date**

On 14 February 2009, the Company was served with notice of a complaint by 218 plaintiffs filed in the Bangkok Southern Civil Court. The plaintiffs are seeking compensation of Baht 836 million from the Company alleging that it caused cadmium contamination in the Mae Sod district of Tak province. The Company has not yet been required to file an answer to the claims. It is in the process of evaluating the merit of the case, but is confident that its strict environmental measures are in line with the regulations and requirements of the authorities. Management intends to defend the case vigorously. At this stage, the outcome of the proceedings is unknown and no contingent liability has been recorded.

The Company is aware of recent statements by the Lawyers Council of Thailand that civil suits have been filed by 1,037 plaintiffs claiming total compensation of Baht 3.7 billion but, to date, the Company has only been served with notice of the above complaint.

On 17 February 2009, the Board of Directors decided to propose to the Annual Shareholders Meeting of April 2009 the payment of dividend of Baht 0.82 per share totalling Baht 185.3 million from the 2008 operating results.

**30. Reclassification**

Certain items in the balance sheet as at 31 December 2007 and statements of income for the year ended 31 December 2007 have been reclassified for comparative purpose to coincide with balance sheet as at 31 December 2008 and statements of income for the year then ended.