

Thai Beverage Public Company Limited and its Subsidiaries

Notes to the financial statements For the years ended 31 December 2007 and 2006

Investments in subsidiaries and associates as at 31 December 2007 and 2006, and dividend income from those investments for the years then ended were as follows:

	Ownership interest (%)		Consolidated financial statements (in million Baht)					
	2007	2006	2007	2006	2007	2006	2007	2006
<i>Associates</i>								
<i>Held by subsidiaries of indirect subsidiaries</i>								
Liquorland Limited	49.49	49.49	18	51	124	135	-	17
Inver House Polska Limited	44.00	44.00	4	4	-	-	-	-
Inver House Distribution SA	50.02	50.02	1	1	-	-	-	-
Total	79	79	23	56	124	135	-	17

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	Ownership interest (%)		Separate financial statements (Restated)				Dividend income	
	2007	2006	Paid-up capital		Cost method		2007	2006
			2007	2006	2007	2006		
<i>Direct subsidiaries</i>								
Beer Thai (1991) PCL.	100.00	100.00	5,550	5,550	12,500	12,500	2,259	821
Beer Thip Brewery (1991) Co., Ltd.	100.00	100.00	6,600	6,600	12,500	12,500	2,277	1,089
Sangsom Co., Ltd.	100.00	100.00	7,500	7,500	7,500	7,500	750	840
Fuengfuanant Co., Ltd.	100.00	100.00	900	900	900	900	307	104
Mongkolsemai Co., Ltd.	100.00	100.00	700	700	700	700	-	25
Thanapakdi Co., Ltd.	100.00	100.00	700	700	700	700	57	25
Kanchanasingkom Co., Ltd.	100.00	100.00	700	700	700	700	85	32
Sura Bangyikhan Co., Ltd.	100.00	100.00	4,000	4,000	4,000	4,000	628	60
Athimart Co., Ltd.	100.00	100.00	900	900	900	900	273	109
S.S. Kamnura Co., Ltd.	100.00	100.00	800	800	800	800	398	129
Kankwan Co., Ltd.	100.00	100.00	800	800	800	800	340	122
Theparunothai Co., Ltd.	100.00	100.00	700	700	700	700	190	95
Red Bull Distillery (1988) Co., Ltd.	100.00	100.00	5,000	3,000	5,000	3,000	-	-
United Winery and Distillery Co., Ltd.	100.00	100.00	1,800	1,800	1,800	1,800	70	67
Simathurakij Co., Ltd.	100.00	100.00	900	900	889	900	138	23
Nateechai Co., Ltd.	100.00	100.00	800	800	800	800	157	38
Luekchai Liquor Trading Co., Ltd.	100.00	100.00	800	800	766	800	35	24
Sura Piset Thippawat Co., Ltd.	100.00	100.00	500	500	510	510	-	-
Thai Alcohol PCL.	100.00	100.00	800	800	1,374	1,666	66	120
Ponthip Co., Ltd.	100.00	100.00	10	10	10	10	292	100
Ponkit Co., Ltd.	100.00	100.00	10	10	10	10	570	116
Ponkong Co., Ltd.	100.00	100.00	10	10	10	10	275	74
Ponehok Co., Ltd.	100.00	100.00	10	10	10	10	534	155
Pomehsroen Co., Ltd.	100.00	100.00	10	10	10	10	26	-
Pomburapa Co., Ltd.	100.00	100.00	10	10	10	10	382	93
Nun Yuk Co., Ltd.	100.00	100.00	10	10	10	10	858	247
Nun Kijjakarn Co., Ltd.	100.00	100.00	10	10	10	10	1,424	604
Nun Palang Co., Ltd.	100.00	100.00	10	10	10	10	387	170

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	Ownership interest (%)		Paid-up capital		Separate financial statements (Restated) Cost method		Dividend income	
	2007	2006	2007	2006	2007	2006	2007	2006
	<i>(in million Baht)</i>							
<i>Direct subsidiaries (continued)</i>								
Nun Muang Co., Ltd.	100.00	100.00	10	10	10	10	528	267
Nun Nakorn Co., Ltd.	100.00	100.00	10	10	10	10	238	119
Nun Tharakij Co., Ltd.	100.00	100.00	10	10	10	10	413	196
Thipchalothorn Co., Ltd.	100.00	100.00	1	1	3	3	573	233
Thipchalobun Co., Ltd.	100.00	100.00	5	5	27	27	359	234
Surathip Co., Ltd.	100.00	100.00	1	1	7	7	649	413
Suathrompiron Co., Ltd.	100.00	100.00	5	5	25	25	1,075	437
Piromsurang Co., Ltd.	100.00	100.00	5	5	24	24	711	350
Bionic Humus Co., Ltd.	100.00	100.00	350	10	354	14	-	-
Maharas Agri Co., Ltd.	100.00	100.00	2	2	2	2	-	-
Thai Molasses Co., Ltd.	99.72	99.72	40	40	35	35	165	63
Additive Food Co., Ltd.	100.00	100.00	1	1	32	38	42	12
Pan International (Thailand) Co., Ltd.	100.00	100.00	1	1	34	54	60	19
Charun Business 52 Co., Ltd.	100.00	100.00	122	122	84	84	-	-
Thai Cooperage Co., Ltd.	100.00	100.00	300	300	296	300	28	8
Bang-Na Logistic Co., Ltd.	100.00	100.00	123	123	134	134	75	30
Thai Beverage Logistics Co., Ltd. (Formerly: Sahapikamkonsong Co., Ltd.)	100.00	100.00	12	12	12	12	118	23
Thai Beverage Marketing Co., Ltd.	100.00	100.00	300	300	300	300	100	7
Dhanasindhi Co., Ltd.	100.00	100.00	20	20	24	24	27	8
Dhospaak Co., Ltd.	100.00	100.00	25	25	61	61	20	-
International Beverage Holdings Ltd.	100.00	100.00	6,760	535	6,760	535	-	-
Cosmos Brewery (Thailand) Co., Ltd.	100.00	100.00	1,667	1,667	4,212	5,150	672	257
T.C.C. Cosmo Corp., Ltd.	100.00	100.00	5	5	39	39	5	-
Beer Chang Co., Ltd.	100.00	100.00	1	1	4,301	4,301	277	96
Archa beer Co., Ltd.	100.00	100.00	1	1	130	130	72	1
Sura Piset Phatra Lanna Co., Ltd.	100.00	100.00	600	-	615	-	-	-
Total			50,917	41,752	71,470	63,595	18,985	8,055

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12 Property, plant and equipment

	Land		Consolidated financial statements							Total	
	Cost	surplus on land revaluation	Total	Land improvement	Building and improvements	Machinery and equipment	Oak barrels	Furniture fixtures and office equipment	Vehicles		Construction in progress
<i>Cost/revaluation</i>											
At 1 January 2006	7,826	6,585	14,421	720	15,402	34,890	2,753	562	2,716	7,168	78,632
Additions	424	-	424	2	201	1,073	31	80	29	2,199	4,039
Surplus on revaluation	-	3	3	-	-	-	-	-	-	-	3
Transfers	-	-	-	434	796	5,439	-	(35)	-	(6,613)	-
Disposals	-	(1)	(1)	(2)	(7)	(92)	-	(11)	(25)	(1)	(139)
Translation differences on consolidation	-	-	-	-	(4)	-	-	-	-	-	(4)
At 31 December 2006 and 1 January 2007	8,250	6,587	14,847	1,154	16,388	41,310	2,784	596	2,699	2,753	82,531
Additions	357	-	357	1	85	199	26	60	23	946	1,697
Surplus on revaluation	-	731	731	-	-	-	-	-	-	-	731
Reversal of revaluation	-	(2,794)	(2,794)	-	-	-	-	-	-	-	(2,794)
Loss on revaluation	(59)	-	(59)	-	-	-	-	-	-	-	(59)
Transfers	(2)	-	(2)	145	719	2,191	-	12	(1)	(3,064)	-
Disposals	(410)	(135)	(545)	-	(12)	(85)	(5)	(9)	(26)	(210)	(892)
Translation differences on consolidation	(1)	-	(1)	(1)	(62)	(46)	(17)	-	-	-	(127)
At 31 December 2007	8,145	4,389	12,534	1,299	17,118	43,569	2,788	659	2,695	425	81,087
<i>Finance costs capitalised</i>											
Finance costs capitalised during 2006 (note 24)	-	-	-	-	33	121	-	-	-	-	154
Rate of interest capitalised during 2006 (% per annum)	-	-	-	-	5.82	5.82	-	-	-	-	5.82
Finance costs capitalised during 2007 (note 24)	-	-	-	-	4	9	-	-	-	-	13
Rate of interest capitalised during 2007 (% per annum)	-	-	-	-	5.97	5.97	-	-	-	-	5.97

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	Consolidated financial statements										
	Cost	Land revaluation surplus on land	Total	Land improvement	Building and improvements	Machinery and equipment	Oak barrels	Furniture fixtures and office equipment	Vehicles	Construction in progress	Total
<i>(in million Baht)</i>											
Accumulated depreciation											
At 1 January 2006	-	-	-	201	5,188	19,672	1,241	313	2,093	-	28,708
Depreciation charge for the year	-	-	-	53	733	5,171	134	76	314	-	4,481
Transfers	-	-	-	224	(261)	86	-	(34)	(15)	-	-
Disposals	-	-	-	(1)	(4)	(48)	-	(9)	(22)	-	(84)
Translation differences on consolidation	-	-	-	-	(2)	-	-	-	-	-	(2)
At 31 December 2006 and 1 January 2007	-	-	-	477	5,654	22,881	1,375	346	2,370	-	33,103
Depreciation charge for the year	-	-	-	81	792	3,666	134	83	167	-	4,923
Transfers	-	-	-	-	6	(16)	-	11	(1)	-	-
Disposals	-	-	-	-	(8)	(63)	-	(8)	(21)	-	(100)
Translation differences on consolidation	-	-	-	-	(19)	(28)	(8)	-	-	-	(55)
At 31 December 2007	-	-	-	558	6,425	26,440	1,501	432	2,515	-	37,971
Net book value											
Owned assets	8,260	6,587	14,847	677	10,734	18,429	1,409	250	318	2,753	49,417
Assets under finance leases	-	-	-	-	-	-	-	-	11	-	11
Total at 31 December 2006	8,260	6,587	14,847	677	10,734	18,429	1,409	250	329	2,753	49,428
Owned assets	8,145	4,389	12,534	741	10,693	17,129	1,287	227	171	425	43,207
Assets under finance leases	-	-	-	-	-	-	-	-	9	-	9
Total at 31 December 2007	8,145	4,389	12,534	741	10,693	17,129	1,287	227	180	425	43,216

The gross carrying amount of fully depreciated plant and equipment that was still in use as at 31 December 2007 amounted to Baht 4,264 million. (2006: Baht 3,026 million).

The net book value of property, plant and equipment of certain subsidiary companies used as security under the Negative Pledge agreement as disclosed in Note 15 as at 31 December 2007 amounted to Baht 31,238 million (2006: Baht 34,530 million).

The carrying amount of idle land which is held for planned future business operations as at 31 December 2007 amounted to Baht 1,721 million (2006: Baht 1,516 million).

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	Separated financial statements							Total
	Cost	Land surplus on land revaluation	Total	Furniture, fixtures and office equipment (in million Baht)	Vehicles	Construction in progress		
Cost/revaluation								
At 1 January 2006	411	134	545	68	24	121	738	
Additions	-	-	-	27	-	100	127	
Disposals	-	-	-	-	-	(11)	(11)	
At 31 December 2006 and 1 January 2007	411	134	545	95	24	210	874	
Additions	-	-	-	5	-	1	6	
Disposals	(411)	(134)	(545)	-	(1)	(210)	(756)	
At 31 December 2007	-	-	-	100	23	1	124	
Accumulated depreciation								
At 1 January 2006	-	-	-	5	2	-	7	
Depreciation charge for the year	-	-	-	17	4	-	21	
At 31 December 2006 and 1 January 2007	-	-	-	22	6	-	28	
Depreciation charge for the year	-	-	-	19	5	-	24	
At 31 December 2007	-	-	-	41	11	-	52	
Net book value								
At 31 December 2006	411	134	545	73	18	210	846	
At 31 December 2007	-	-	-	59	12	1	72	

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Depreciation of plant and equipment for the years ended 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in million Baht)</i>			
Included in cost of production	3,086	2,880	-	-
Included in selling and administrative expenses	1,837	1,601	24	21
Total	4,923	4,481	24	21

13 Intangible assets

	Consolidated financial statements					Total
	Goodwill	Computer	Broadcasting		Leasehold	
		software	Trademark	rights		
	<i>(in million Baht)</i>					
<i>Cost</i>						
At 1 January 2006	426	16	307	162	1	912
Additions	-	9	3	-	1	13
At 31 December 2006 and 1 January 2007	426	25	310	162	2	925
Additions	659	10	17	-	-	686
Decrease	-	-	-	(162)	-	(162)
Translation differences on consolidation	(19)	-	-	-	-	(19)
At 31 December 2007	1,066	35	327	-	2	1,430
<i>Accumulated amortisation</i>						
At 1 January 2006	175	2	183	38	1	399
Amortisation charge for the year	18	4	25	124	-	171
At 31 December 2006 and 1 January 2007	193	6	208	162	1	570
Amortisation charge for the year	18	6	27	-	-	51
Decrease	-	-	-	(162)	-	(162)
Translation differences on consolidation	(8)	-	-	-	-	(8)
At 31 December 2007	203	12	235	-	1	451
<i>Net book value</i>						
At 31 December 2006	233	19	102	-	1	355
At 31 December 2007	863	23	92	-	1	979

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	Separate financial statements Computer software <i>(in million Baht)</i>
<i>Cost</i>	
At 1 January 2006	9
Additions	7
At 31 December 2006 and 1 January 2007	<u>16</u>
Additions	9
At 31 December 2007	<u>25</u>
<i>Accumulated amortisation</i>	
At 1 January 2006	1
Amortisation charge for the year	3
At 31 December 2006 and 1 January 2007	<u>4</u>
Amortisation charge for the year	5
At 31 December 2007	<u>9</u>
<i>Net book value</i>	
At 31 December 2006	12
At 31 December 2007	16

14 Other non-current assets

	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
		<i>(in million Baht)</i>			
Advance payments to a specialist	31	1,829	1,879	343	352
Idle land		106	106	-	-
Stainless steel plates		67	71	-	-
Deposits		65	58	8	5
Others		20	13	-	-
		<u>2,087</u>	<u>2,127</u>	<u>351</u>	<u>357</u>
Less allowance for impairment of assets		<u>(14)</u>	<u>(5)</u>	-	-
Net		<u>2,073</u>	<u>2,122</u>	<u>351</u>	<u>357</u>

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15 Interest-bearing liabilities

	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
		<i>(in million Baht)</i>			
<i>Current</i>					
Bank overdrafts					
Secured		899	1,516	-	-
Unsecured		101	367	-	30
Short-term loans from financial institutions					
Unsecured		<u>4,998</u>	<u>4,870</u>	<u>4,798</u>	<u>3,000</u>
Bank overdraft and short-term loans from financial institutions		<u>5,998</u>	<u>6,753</u>	<u>4,798</u>	<u>3,030</u>
Short-term guaranteed bonds					
Guaranteed / Negative pledge		-	2,200	-	2,200
Current portion of long-term guaranteed bonds					
Guaranteed / Negative pledge		3,000	2,300	3,000	2,300
Current portion of long-term loans					
Guaranteed / Negative pledge		1,755	1,500	1,755	1,500
Short-term loans from related parties	5				
Unsecured		-	4,615	2,040	12,984
		<u>10,753</u>	<u>17,368</u>	<u>11,593</u>	<u>22,014</u>
<i>Non-current</i>					
Long-term guaranteed bonds					
Guaranteed / Negative pledge		-	3,000	-	3,000
Long-term loans from financial institutions					
Guaranteed / Negative pledge		-	3,755	-	3,755
Unsecured		5,400	-	5,400	-
Long-term loans from related parties	5				
Unsecured		-	-	6,540	4,372
		<u>5,400</u>	<u>6,755</u>	<u>11,940</u>	<u>11,127</u>
Total		<u>16,153</u>	<u>24,123</u>	<u>23,533</u>	<u>33,141</u>

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The periods to maturity of interest-bearing liabilities as at 31 December were as follows:

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in million Baht)</i>			
Within one year	10,753	17,368	11,593	22,014
After one year but within five years	5,400	6,755	11,940	11,127
Total	16,153	24,123	23,533	33,141

As at 31 December 2007 the Group had unutilized credit facilities totalling Baht 24,724 million (2006: Baht 17,790 million).

The principal features of the borrowings were as follows:

- (a) Bank overdrafts are repayable on demand as at 31 December 2007, the Group has a total overdraft facilities amounting to Baht 3,714 million (2006: Baht 3,705 million) which is partially guaranteed by five subsidiaries.
- (b) Short-term loans from financial institutions as at 31 December 2007, the Group has short-term loan facilities from several financial institutions totalling Baht 25,010 million (2006: Baht 20,820 million) with money market rate quoted by bank. The Group utilized those facilities in term of promissory notes issued by the Group to several domestic financial institutions totalling Baht 3,000 million (2006: Baht 4,870 million).

In September 2007, the Company issued and offered short-term bill of exchange amounting to Baht 5,000 million to two financial institutions, the said bills represents short-term bill of exchange offered to and exchanged among institutional investors and/or substantial high net worth investors as prescribed in accordance with Notifications of the Securities and Exchange Commission. As at 31 December 2007, the outstanding balance of bill of exchange was amounting to Baht 2,000 million.

- (c) Guaranteed bonds as at 31 December 2007 and 2006 were guaranteed bonds with a full co-guarantee by four subsidiaries and negative pledge undertaken by the Company whereby 17 subsidiaries agree not to sell, transfer, mortgage, pledge, encumber or grant any preferential right in relation to their land, buildings, plants and machinery. The Company is required to maintain a consolidated debt (interest-bearing debt) to equity (excluding unrealised foreign exchange gain or loss) ratio of not more than 2.5 to 1 based on the annual consolidated financial statements prepared in accordance with generally accepted accounting standards in Thailand.

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The bonds have the following payment terms:

	Amount	Fixed interest rate	Maturity
	(in million Baht)	(% per annum)	
First tranche	2,500	4.95	22 August 2006
Second tranche	2,200	5.40	22 February 2007
Third tranche	2,300	5.55	22 August 2007
Fourth tranche	3,000	5.75	22 February 2008

The principal is to be redeemed at maturity. Interest is payable semi-annually commencing on 22 August 2006.

- (d) Long-term loan and its current portion as at 31 December 2006 were loan agreements with eight financial institutions to obtain long-term borrowings totalling Baht 26,600 million. Of this, the principal of Baht 23,600 million has a grace period of 2 years and is to be repaid in 36 monthly installments, Baht 654.22 million each for the first 35 installments and Baht 702.20 million for the last installment, from 28 April 2008 to 31 March 2011 with interest at the fixed rates of 5.75% and 6% per annum for the first and the second years, respectively, and MLR-1.5% to MLR-1.75% per annum from the third year onwards, payable monthly, commencing in March 2006. The remaining principal of Baht 3,000 million is to be repaid in eight quarterly installments, Baht 375 million each, from 28 June 2006 to 28 March 2008 with a fixed interest rate of 5.70% per annum, payable quarterly, commencing in June 2006.

The borrowings are fully co-guaranteed by four subsidiaries with a negative pledge made by 17 subsidiaries whereby these subsidiaries agree not to sell, transfer, mortgage, pledge, encumber or grant any preferential right in relation to their land, buildings, plant and machinery.

In 2006 and May 2007, the Company partially repaid long-term loans amounting to Baht 20,220 million and Baht 2,000 million, respectively, with accrued interest to seven financial institutions and the interest rate in the second year decrease from 6% to 5% per annum.

During February 2007, the Company entered into a long-term loan agreement with a financial institution in the amount of Baht 4,500 million which is to be repaid monthly in 12 installments, Baht 375 million each, commencing in February 2009. Interest is payable monthly at 5.60% per annum for the first year and 5.75% per annum afterwards.

Subsequently on 19 October 2007, the Company has been granted the reduction of interest rate to be 4.50% per annum for the first year and 4.75% per annum afterwards. The Company was charged an unwind fee of Baht 11.25 million for this change.

During December 2007, the Company entered into a long-term loan agreement with a financial institution in the amount of Baht 900 million which is to be repaid in 2009. The interest is payable monthly at 3.9625% per annum.

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16 Trade accounts payable

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
		<i>(in million Baht)</i>			
Related parties	5	680	819	-	-
Other parties		1,569	1,457	-	-
Total		2,249	2,276	-	-

The currency denomination of trade accounts payable as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in million Baht)</i>			
Thai Baht (THB) and other functional currencies of foreign subsidiaries	2,039	1,984	-	-
United States Dollars (USD)	94	104	-	-
Euro (EUR)	69	108	-	-
Great Britain Pound (GBP)	46	74	-	-
Australian Dollar (AUD)	1	6	-	-
Total	2,249	2,276	-	-

17 Other current liabilities

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in million Baht)</i>			
Accrued expenses	737	883	9	90
Value added tax payable	672	687	35	105
Advanced payments from customers for purchase of goods	506	1,005	-	-
Assets payable	372	418	-	5
Outstanding cheque paid for excise tax	281	295	-	-
Accrued promotion expense	252	133	-	-
Withholding tax payable	128	79	30	22
Accrued interest expense	71	163	67	157
Deposits and retention payable	38	273	-	3
Others	146	167	21	12
Total	3,203	4,103	162	394

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The currency denomination of other current liabilities as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in million Baht)</i>			
Thai Baht (THB) and other functional currencies of foreign subsidiaries	3,126	3,829	160	357
Euro (EUR)	72	212	-	-
Great Britain Pound (GBP)	4	16	1	-
Singapore Dollars (SGD)	1	1	1	-
United States Dollars (USD)	-	42	-	37
Others	-	3	-	-
Total	3,203	4,103	162	394

18 Share capital

	Par value per share <i>(in Baht)</i>	2007		2006	
		Number	Amount <i>(million shares/million Baht)</i>	Number	Amount
Authorised					
At 1 January and 31 December	1	<u>29,000</u>	<u>29,000</u>	<u>29,000</u>	<u>29,000</u>
Issued and paid					
At 1 January	1	25,110	25,110	22,000	22,000
Issue of new shares	1	-	-	3,110	3,110
At 31 December	1	<u>25,110</u>	<u>25,110</u>	<u>25,110</u>	<u>25,110</u>

The Company listed on the SGX-ST on 29 May 2006 received net proceeds of Baht 16,191.60 million from the issue of 2,444.45 million new ordinary shares, sold to the public through an Initial Public Offering (the "IPO") at a price of Singapore Dollar 0.28 per share. Directly attributable expenses for the IPO amounting to Baht 676.49 million are accounted for as a deduction from the premium on share capital received from the IPO. The Company registered the change in paid-up capital with the Ministry of Commerce on 29 May 2006 from Baht 22,000 million to Baht 24,444.45 million.

On 3 July 2006, an over allotment option was exercised related to its recent IPO, whereby the Company sold a further 665.58 million new ordinary shares, raising Baht 4,390.54 million in proceeds. The Company registered the change in paid-up capital with the Ministry of Commerce on 3 July 2006 from Baht 24,444.45 million to Baht 25,110.03 million.

19 Reserves

Share premium

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution.

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Currency translation changes

The currency translation changes recognized in shareholders' equity relate to foreign exchange differences arising from translation of the financial statements of foreign operations to Thai Baht.

Fair value changes and revaluation surpluses

Fair value changes and revaluation surpluses recognised in shareholders' equity relate to cumulative net changes in the fair value of available-for-sale investments and surpluses arising from the revaluations of land.

Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

20 Segment information

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

In preparing segmental information, those liabilities and related interest expense that are not specifically attributable to a particular segment are allocated on a percentage of net assets basis. Management believes this to be a fair indication of the actual use of the liabilities.

Inter-segment transactions are eliminated on consolidation.

Business segments

The Group comprises the following main business segments:

<i>Beer/water</i>	Production and sales of branded beer and water products (mostly outside the group);
<i>Spirits</i>	Production and sales of branded spirits products (mostly outside the group); and
<i>Alcohol</i>	Production and sales of alcohol (mostly outside the group)

Geographic segments

Operating units of the Group are mainly located in Thailand. Portions of product produced from these units are exported directly or indirectly through foreign subsidiaries to external customers. Certain operating units of subsidiaries are located in foreign countries.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

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Business segment results

	Beer/water		Spirits		Alcohol <i>(in million Baht)</i>		Elimination		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue from sales	47,557	46,103	52,940	51,576	966	1,205	(922)	(1,086)	100,541	97,798
Interest income	23	28	17	30	1	2	-	(4)	41	56
Other income	88	42	220	76	18	4	(69)	(20)	257	102
Total revenues	47,668	46,173	53,177	51,682	985	1,211	(991)	(1,110)	100,839	97,956
Cost of sales	37,040	35,944	33,924	33,470	972	994	(1,063)	(1,083)	70,873	69,325
Selling and administrative expenses	6,456	5,768	7,055	6,740	140	178	38	(2)	13,689	12,684
Total expenses	43,496	41,712	40,979	40,210	1,112	1,172	(1,025)	(1,085)	84,562	82,009
Profit (loss) before interest and income tax expenses	4,172	4,461	12,198	11,472	(127)	39	34	(25)	16,277	15,947
Interest expense	278	309	731	1,202	38	62	-	(4)	1,047	1,569
Income tax expense	2,192	1,989	2,652	2,325	3	9	-	-	4,847	4,323
Net profit (loss)	1,702	2,163	8,815	7,945	(168)	(32)	34	(21)	10,383	10,055

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Business segments financial position

	Beer/water		Spirits		Alcohol		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Inventories	3,588	2,838	23,988	25,202	481	275	28,057	28,315
Property, plant and equipment	17,910	20,619	23,137	26,600	2,169	2,209	43,216	49,428
Other assets	1,817	1,906	5,921	5,364	516	567	8,254	7,837
Total assets	23,315	25,363	53,046	57,166	3,166	3,051	79,527	85,580
Total debts	4,444	5,633	11,041	17,797	668	693	16,153	24,123
Other liabilities	4,065	5,249	4,357	3,604	42	50	8,464	8,903
Total liabilities	8,509	10,882	15,398	21,401	710	743	24,617	33,026
Capital expenditure								
- Property, plant and equipment	361	1,358	1,277	2,612	59	69	1,697	4,039
- Intangible assets	11	5	675	8	-	-	686	13
Depreciation	2,360	2,100	2,371	2,255	192	126	4,923	4,481
Amortisation	4	126	47	45	-	-	51	171

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Geographic segments

The segment financial information of the Group based on geographical segments for the year 2007 and 2006 was as follows:

	Consolidated financial statements		Property, plant and equipment	
	Revenue 2007	2006	2007	2006
	<i>(in million Baht)</i>			
Thailand	97,200	95,106	41,613	47,928
Overseas	3,639	2,850	1,603	1,500
Total	100,839	97,956	43,216	49,428

21 Other income

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in million Baht)</i>			
Revenue from sales of scraps	42	32	-	-
Gain on disposal of assets	84	2	64	-
Others	102	44	26	5
Total	228	78	90	5

22 Selling and administrative expenses

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in million Baht)</i>			
Marketing and advertising expenses	4,205	3,993	144	98
Personnel expenses	3,498	3,095	577	522
Idle capacity	2,001	1,679	-	-
Vehicle and transportation expenses	1,228	1,118	24	19
Depreciation and amortisation	467	516	29	24
Rental	325	282	10	5
Donation	274	241	73	77
Others	1,691	1,760	297	198
Total	13,689	12,684	1,154	943

23 Personnel expenses

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in million Baht)</i>			
Salaries and wages	3,548	3,265	342	321
Bonus	721	637	171	154
Overtime and per diem allowance	266	246	13	11
Contribution to defined contribution plans	11	9	6	5
Others	557	541	45	31
Total	5,103	4,698	577	522
	<i>(number of employees)</i>			
Number of employees as at 31 December	22,590	22,412	366	335

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The defined contribution plans comprise provident funds established by companies in the Group for their employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 2% to 3% of their basic salaries and by the Group at rates ranging from 2% to 3% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

24 Interest expense

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
<i>(in million Baht)</i>					
Interest expense relating to:					
Related parties	5	66	109	732	885
Financial institutions		723	1,179	574	947
Others		271	435	271	421
		<u>1,060</u>	<u>1,723</u>	<u>1,577</u>	<u>2,253</u>
Capitalised as cost of assets under construction	12	(13)	(154)	-	-
Net		<u>1,047</u>	<u>1,569</u>	<u>1,577</u>	<u>2,253</u>

25 Income tax expense

The current tax expenses in the consolidated statements of income are more than the amounts determined by applying the Thai corporation tax rate to the accounting profit for the year principally because:

- (a) the different treatments for accounting and taxation purposes of certain items of income and expense for 2007 amounted to Baht 233 million (2006: Baht (102) million).
- (b) unutilised tax losses brought forward from the previous years have been utilised during the year to set-off against the current year's tax charge for 2007 amounted to Baht 64 million (2006: Baht 31 million).
- (c) losses suffered by certain subsidiaries cannot be set-off against the profits of other subsidiaries for tax purposes for 2007 amounted to Baht 103 million (2006: Baht 144 million).

The current tax expenses in the separate statements of income are more than the amounts determined by applying the Thai corporation tax rate to the accounting profit for the year principally because:

- (a) dividends are not subject to tax for 2007 amounted to Baht 5,696 million (2006: Baht 2,417 million).
- (b) the different treatments for accounting and taxation purposes of certain items of income and expense for 2007 amounted to Baht 65 million (2006: Baht (180) million).

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26 Earnings per share

The calculation of basic earnings per share for the year ended 31 December was is based on the net profit attributable to ordinary shares and the weighted average number of shares outstanding during the year as follows:

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006 (Restated)
	<i>(in million Baht)</i>			
Profit attributable to ordinary Shareholders (basic)	<u>10,383</u>	<u>10,055</u>	<u>19,418</u>	<u>9,005</u>
<i>Weighted average number of ordinary shares (basic)</i>				
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in million shares)</i>			
Issued ordinary shares at 1 January	25,110	22,000	25,110	22,000
Effect of shares issued on 29 May 2006	-	1,453	-	1,453
Effect of shares issued on 3 July 2006	-	332	-	332
Weighted average number of ordinary shares (basic)	<u>25,110</u>	<u>23,785</u>	<u>25,110</u>	<u>23,785</u>

27 Promotional privileges

Promotional privileges from the Board of Investment

By virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520, a subsidiary has been granted privileges by the Board of Investment relating to the production of alcohol and agricultural fuel. The privileges granted include:

- (a) exemption from payment of import duty on machinery approved by the Board;
- (b) exemption from payment of income tax for certain operations for a period of eight years from the dates on which the income is first derived from such operations;
- (c) a 50% reduction in the normal tax rate on the net profit derived from certain operations for a period of five years, commencing from the expiry date in (b) above; and
- (d) exemption from income tax on dividends derived from the promoted business of its subsidiary during this eight year period.

As a promoted company, the subsidiary must comply with certain terms and conditions prescribed in the promotional certificate.

In 2007, the Board of Investment has granted same privileges as above mentioned to another subsidiary by virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520 relating to the production of bio-gas.

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Privileges granted to business operator in Free Zone

Also in 2004 another subsidiary was granted approval from the Customs Department to operate in a "Free Zone", whereby the subsidiary obtains privileges related to the payment of import and export taxes, valued added tax and excise tax. Various other privileges are also granted.

28 Dividends

At the Board of Directors' Meeting held on 14 August 2007, an interim dividend payment for the first half of 2007 of 25,110 million ordinary shares, Baht 0.12 per share, totalling Baht 3,013 million was approved. The interim dividend was paid to shareholders on 11 September 2007.

At the annual general meeting of the shareholders of the Company held on 20 April 2007, the shareholders approved the appropriation of dividends of Baht 0.22 per share, totalling Baht 5,524 million. On 8 September 2006, the interim dividend was paid of Baht 0.11 per share, totalling Baht 2,762 million. The remaining dividend payment of Baht 0.11 per share, totalling Baht 2,762 million was paid on 16 May 2007.

At the annual general meeting of the shareholders of the Company held on 27 March 2006, the shareholders approved the appropriation of dividends of Baht 0.24 per share, amounting to Baht 5,280 million. The dividend was paid to shareholders during 2006.

29 Changes in accounting policy

The following change of accounting policy by the Company has no effect on the consolidated financial statements of the Group.

Until 31 December 2006, the Company accounted for its investments in subsidiary companies and associates in its financial statements using the equity method.

During 2007, the FAP issued the following revised TAS which are effective for accounting periods beginning on or after 1 January 2007:

TAS 44 (revised 2007) *Consolidated and Separate Financial Statements*

TAS 45 (revised 2007) *Investment in Associates*

These revised TAS require a parent company which has an investment in a subsidiary company, or an associate company, which is not classified as a "held for sale" investment, to record such investment in accordance with either the cost method or with the recognition and measurement basis for financial instruments (when a TAS on financial instruments is issued and becomes effective), instead of the equity method currently used.

Starting from 1 January 2007, the Company has, accordingly, changed its accounting policy for its investments in subsidiary companies and associate companies in its financial statements from the equity method to the cost method. The change in accounting policy has been applied retrospectively and the Company's 2006 financial statements, which are included in the Company's 2007 financial statements for comparative purposes, have been restated accordingly. The effects of the change in accounting policy on the Company's annual 2007 and 2006 financial statements are as follows:

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	Separate financial statements	
	2007	2006
	<i>(in million Baht)</i>	
<i>Investments in subsidiaries and associates</i>		
Balance at 1 January before change in accounting policy	69,391	68,046
Decrease in retained earnings	(15,567)	(14,494)
Decrease in revaluation surpluses	(6,452)	(6,450)
Increase in currency translation changes	20	5
Increase in difference arising from common control transactions	17,141	15,979
Decrease in excess of share losses over cost of investment	(938)	(1)
Net decrease	<u>(5,796)</u>	<u>(4,961)</u>
Balance at 1 January after change in accounting policy	<u>63,595</u>	<u>63,085</u>
<i>Retained earnings</i>		
Balance at 1 January before change in accounting policy	19,102	17,656
Increase in dividend income from subsidiaries and associates	14,358	6,302
Decrease in share of profits from investments accounted for using the equity method, net	(29,925)	(20,796)
Net decrease	<u>(15,567)</u>	<u>(14,494)</u>
Balance at 1 January after change in accounting policy	<u>3,535</u>	<u>3,162</u>
<i>Net profit</i>		
Net profit for the year before change in accounting policy	10,383	10,079
Increase in dividend income from subsidiaries and associates	18,985	8,055
Decrease in share of profits from investments accounted for using the equity method, net	(9,950)	(9,129)
Net increase (decrease)	<u>9,035</u>	<u>(1,074)</u>
Net profit for the year after change in accounting policy	<u>19,418</u>	<u>9,005</u>
Increase (decrease) in earnings per share (Baht)	<u>0.36</u>	<u>(0.05)</u>

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30 Financial instruments

Financial risk management policies

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows because loan interest rates are mainly fixed. The Group is primarily exposed to interest rate risk from its borrowings (Note 15). The Group mitigates this risk by ensuring that the majority of its borrowings are at fixed interest rates.

The effective interest rates of loans receivable as at 31 December and the periods in which the loans receivable mature or reprice were as follows:

	Effective interest rates (% per annum)	Separate financial statements		
		Within 1 year	After 1 year but within 5 years	Total
		<i>(in million Baht)</i>		
2007				
Current				
Loans receivable - Related parties	5.96	3,548	-	3,548
Non-current				
Loans receivable - Related parties	5.96	-	9,411	9,411
Total		<u>3,548</u>	<u>9,411</u>	<u>12,959</u>
2006				
Current				
Loans receivable - Related parties	5.68	9,367	-	9,367
Non-current				
Loans receivable - Related parties	5.68	-	5,501	5,501
Total		<u>9,367</u>	<u>5,501</u>	<u>14,868</u>

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The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature or reprice were as follows:

	Effective interest rates (% per annum)	Consolidated financial statements		
		Within 1 year	After 1 year but within 5 years	Total
<i>(in million Baht)</i>				
2007				
Current				
Bank overdrafts	6.75	1,000	-	1,000
Loans payable - Financial institutions	3.64	6,753	-	6,753
Current portion of long-term guaranteed bonds	5.75	3,000	-	3,000
Non-current				
Loans payable - Financial institutions	4.41	-	5,400	5,400
Total		<u>10,753</u>	<u>5,400</u>	<u>16,153</u>
2006				
Current				
Bank overdrafts	7.16	1,883	-	1,883
Loans payable - Financial institutions	5.41	6,370	-	6,370
Short-term guaranteed bonds	5.40	2,200	-	2,200
Current portion of long-term guaranteed bonds	5.55	2,300	-	2,300
Loans payable - Related parties	2.80	4,615	-	4,615
Non-current				
Loans payable - Financial institutions	5.75	-	3,755	3,755
Long-term guaranteed bonds	5.75	-	3,000	3,000
Total		<u>17,368</u>	<u>6,755</u>	<u>24,123</u>

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	Effective interest rates (% per annum)	Separate financial statements		
		Within 1 year	After 1 year but within 5 years	Total
<i>(in million Baht)</i>				
2007				
Current				
Loans payable - Financial institutions	4.05	6,553	-	6,553
Current portion of long-term guaranteed bonds	5.75	3,000	-	3,000
Loans payable - Related parties	5.75	2,040	-	2,040
Non-current				
Loans payable - Financial institutions	4.41	-	5,400	5,400
Loans payable - Related parties	5.75	-	6,540	6,540
Total		11,593	11,940	23,533
2006				
Current				
Bank overdrafts	8.28	30	-	30
Loans payable - Financial institutions	5.54	4,500	-	4,500
Short-term guaranteed bonds	5.40	2,200	-	2,200
Current portion of long-term guaranteed bonds	5.55	2,300	-	2,300
Loans payable - Related parties	6.00	12,984	-	12,984
Non-current				
Loans payable - Financial institutions	5.74	-	3,755	3,755
Long-term guaranteed bonds	5.75	-	3,000	3,000
Loans payable - Related parties	6.00	-	4,372	4,372
Total		22,014	11,127	33,141

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Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. The Group primarily utilises forward exchange contracts to hedge such financial assets and liabilities denominated in foreign currencies. The forward exchange contracts entered into at the balance sheet date also relate to anticipated purchases and sales, denominated in foreign currencies, for the subsequent period.

At 31 December, the Group and the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
<i>(in million Baht)</i>					
United States Dollars					
Cash and cash equivalents	6	174	15	-	-
Trade accounts receivable	8	90	24	-	-
Other current assets	10	1	1	-	-
Trade accounts payable	16	(94)	(104)	-	-
Short-term loans from and amount due to related parties	5	-	(216)	-	-
Other current liabilities	17	-	(42)	-	(37)
Gross balance sheet exposure		171	(322)	-	(37)
Estimated forecast sale of goods		286	-	-	-
Estimated forecast purchase of goods		(2,994)	(1,917)	-	-
Gross exposure		(2,537)	(2,239)	-	(37)
Currency forwards		2,508	1,929	-	-
Net exposure		(29)	(310)	-	(37)
Euro					
Cash and cash equivalents	6	-	6	-	-
Trade accounts receivable	8	-	30	-	-
Trade accounts payable	16	(69)	(108)	-	-
Other current liabilities	17	(72)	(212)	-	-
Gross balance sheet exposure		(141)	(284)	-	-
Estimated forecast purchase of assets		(25)	(137)	-	-
Estimated forecast purchase of goods		(1,158)	(454)	-	-
Gross exposure		(1,324)	(875)	-	-
Forwards to buy foreign currency		1,173	773	-	-
Net exposure		(151)	(102)	-	-

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		Consolidated financial statements		Separate financial statements	
	Note	2007	2006	2007	2006
<i>Great Britain Pound</i>					
Trade accounts payable	16	(46)	(74)	-	-
Other current liabilities	17	(4)	(16)	(1)	-
Gross balance sheet exposure		(50)	(90)	(1)	-
Estimated forecast purchase of goods					
		(288)	(462)	-	-
Gross exposure		(338)	(552)	(1)	-
Forwards to buy foreign currency					
		287	472	-	-
Net exposure		(51)	(80)	(1)	-
<i>Australian Dollar</i>					
Trade accounts receivable	8	1	-	-	-
Trade accounts payable	16	(1)	(6)	-	-
Gross exposure		-	(6)	-	-
Forwards to buy foreign currency					
		1	25	-	-
Net exposure		1	19	-	-
<i>Singapore Dollars</i>					
Other current liabilities	17	(1)	(1)	(1)	-
Estimated forecast proceed from loans		-	-	208	1,484
Gross exposure		(1)	(1)	207	1,484
Forwards to buy foreign currency					
		-	-	(208)	(1,484)
Net exposure		(1)	(1)	(1)	-
<i>Japanese Yen</i>					
Estimated forecast purchase of assets		(5)	-	-	-
Forwards to buy foreign currency		5	-	-	-
Net exposure		-	-	-	-
<i>Others</i>					
Trade accounts receivable	8	-	5	-	-
Other current liabilities	17	-	(3)	-	-
Exposure		-	2	-	-

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Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. However, due to the large number of parties comprising the Group's customer base, management does not anticipate material losses from its debt collection.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Fair values

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and liabilities, the Group takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial instrument.

31 Commitments with non-related parties

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in million Baht)</i>			
<i>Capital commitments</i>				
<i>Contracted but not provided for</i>				
Land, buildings and other constructions	217	392	-	-
Machinery and equipment	218	846	-	-
Computer software	-	11	-	11
Total	435	1,249	-	11
<i>Non-cancellable operating lease commitments</i>				
Within one year	165	142	9	-
After one year but within five years	157	70	14	1
Total	322	212	23	1

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	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(In million Baht)</i>			
<i>Other commitments</i>				
Unused letters of credits	86	332	-	-
Forward contracts to sell foreign currencies	524	1,505	217	1,505
Forward contracts to buy foreign currencies	5,036	3,330	-	-
Bank guarantees	247	102	31	154
Goods and raw materials purchasing agreements	4,386	2,815	-	-
Molasses purchasing agreements	296	1,596	-	-
Computer system installation agreements	53	96	53	96
Advertising services and sponsorship agreements	154	105	-	-
Others	60	43	1	-
Total	10,842	9,924	302	1,755

- (a) During 2004, the Company and four subsidiaries entered into production and blending control agreements with a specialist for a period of 40 years from 1 August 2004 to 1 August 2044. Under the agreements, the Company and its subsidiaries are obliged to pay monthly service fees of Baht 4.3 million which are to be annually increased by 5% for the first 20 years from 1 August 2004 to 1 August 2024. Afterwards, the Company and its subsidiaries have to pay monthly service fees of Baht 250,000 until the expiration of the agreements. Service fee under the agreements totaled Baht 1,766.2 million. Subsequently, the addendums were made on 5 January 2006, under which the Company and its subsidiaries have to pay additional amount to this specialist amounting to Baht 2,000 million. Therefore, the total service fees under the agreements both outstanding and already paid by the Company and its subsidiaries amounted to Baht 3,766.2 million.

As at 31 December 2007 the remaining commitments to be paid, relating to these agreements, amounted to Baht 1,579 million.

- (b) During 2005, a subsidiary renewed a sponsorship agreement with Everton Football Club, in the United Kingdom, for a period of three years as from 1 June 2005 to 31 May 2008 in order to promote the Group's businesses globally. Under the agreement, the subsidiary is obliged to pay a minimum amount of GBP 0.5 million and a maximum amount of GBP 2.9 million per year, dependent on the performance of Everton football team in each year.

Subsequently, on 17 January 2008, the sponsorship agreement was extended to another period of three years as from 1 June 2008 to 31 May 2011. The subsidiary is obliged to pay a minimum amount of GBP 0.5 million and a maximum amount of GBP 3.5 million per year, dependent on the performance of Everton football team in each year.

Thai Beverage Public Company Limited and its Subsidiaries
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32 Litigation

A subsidiary filed the application to the Central Tax Court to withdraw the assessment of the property tax of 2002 up to 2007. Subsequently, on 12 and 13 February 2008, the Supreme Court has sentenced that the above subsidiary can receive the property tax back in the amount of Baht 128 million from the paid amount of Baht 128.5 million.

33 Events after the balance sheet date

- (a) On 25 January 2008, Maharas Agri Co., Ltd. the Company's subsidiary increase its authorised share capital from Baht 2 million to Baht 200 million by issuing 19.8 million ordinary shares with a Baht 10 par value, totaling Baht 198 million.

Subsequently, on 28 January 2008, the Company's subsidiary has entered into a sale and purchase agreement to acquire assets in the production and sale of energy drink and ready-to-drink coffee owned by Wrangyer Beverage Co., Ltd. at a consideration of Baht 420 million. Part of the fund will be derived from the increase of the authorised share capital in the amount of Baht 200 million.

- (b) On 31 January 2008, Pan Alcohol Co., Ltd. the Company's indirect subsidiary has entered into a memorandum of understanding to acquire majority of ordinary shares in Carabao Tawandang Co., Ltd. who is engaging in the production and sales of energy drink. The completion of the acquisition is being in the process.

- (c) The Executive Board of Directors' Meeting held on 18 February 2008 unanimously passed the following resolutions:

- Approval in principle of the decrease of authorised share capital of S P M Foods and Beverages Co., Ltd. twice at 75% each and the increase of authorized share capital afterwards. The authorised share capital will be decreased from Baht 100 million to Baht 25 million firstly and from Baht 25 million to Baht 6.25 million secondly. After that the authorised share capital will be increased by Baht 600 million to Baht 606.25 million.
- Approval in principle of the increase of authorised share capital of International Beverage Holdings Limited from HKD 1,470 million to HKD 1,490 million to increase in capital of International Beverage Holdings Limited USA, Inc.

- (d) The Board of Directors' Meeting held on 27 February 2008 unanimously agreed to propose a dividend payment of Baht 0.29 per share, totalling Baht 7,282 million. The interim dividend was paid of Baht 0.12 per share, amounting to Baht 3,013 million. The remaining is a dividend payment of Baht 0.17 per share, amounting to Baht 4,269 million.

Thai Beverage Public Company Limited and its Subsidiaries
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For the years ended 31 December 2007 and 2006

34 Thai Accounting Standards (TAS) not yet adopted

The Group has not adopted the following TAS that have been issued as of the balance sheet date but are not yet effective. These TAS will become effective for financial periods beginning on or after 1 January 2008.

TAS 25 (revised 2007)	<i>Cash Flows Statements</i>
TAS 29 (revised 2007)	<i>Leases</i>
TAS 31 (revised 2007)	<i>Inventories</i>
TAS 33 (revised 2007)	<i>Borrowing Costs</i>
TAS 35 (revised 2007)	<i>Presentation of Financial Statements</i>
TAS 39 (revised 2007)	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
TAS 41 (revised 2007)	<i>Interim Financial Reporting</i>
TAS 43 (revised 2007)	<i>Business Combinations</i>
TAS 49 (revised 2007)	<i>Construction Contracts</i>
TAS 51	<i>Intangible Assets</i>

The adoption and initial application of these TAS is not expected to have any material impact on the consolidated or separate financial statements.

35 Reclassification of accounts

Certain accounts in the 2006 financial statements have been reclassified to conform with the presentation in the 2007 financial statements.

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2007 and 2006

36 Significant differences between Thai GAAP and IFRS (unaudited/ unreviewed)

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Thailand ("Thai GAAP"), which differ in certain significant respects from International Financial Reporting Standards ("IFRS"). The following disclosure provides a summary of certain significant differences between Thai GAAP and IFRS, as applicable to the consolidated financial statements of the Group, and a reconciliation of net profit and total shareholders' equity from Thai GAAP to IFRS. Neither the narrative summary nor the reconciliation should be construed as being exhaustive or presented fairly in all material respects and are provided for information purposes only.

(a) Deferred tax

There is no Thai accounting standard currently effective in relation to accounting for deferred taxes. Whilst not specifically addressed in Thai GAAP, provisions for income taxes of the Group are typically based on corporate income taxes currently payable in the period under the Revenue Code of Thailand. The Group does not, therefore, recognise deferred tax assets and liabilities for the current period.

Under IFRS, provision is made for deferred tax using a balance sheet approach, with deferred tax calculated on temporary differences, being the differences between the tax and the book values of assets and liabilities. The deferred tax charge or credit is the change in the period in deferred tax liabilities and assets. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be fully utilised.

(b) Employee benefits

There is currently no Thai accounting standard in relation to accounting for employee benefits, including termination, retirement and post-retirement benefits. The Group's primary obligations in respect of employee benefits are contributions on behalf of employees to provident funds and the payment of statutory severance benefits on retirement and terminating employment involuntarily. Severance termination and retirement benefits vary according to various factors, including the employee's service life and salary. Whilst not specifically addressed in Thai GAAP, contributions are charged as an expense as incurred.

Under IFRS, employee benefits are accounted for in accordance with IAS No. 19 *Employee Benefits*. Accordingly, termination benefits are recognised as a liability and an expense when, and only when, the enterprise is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Retirement benefits are recognised as a liability, being the net total of the present value of the obligation at the balance sheet date less the fair value of any plan assets and recognised as an expense the net total of current service costs, interest costs, past service costs and any actuarial gains and losses.

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2007 and 2006

(c) *Financial instruments*

Thai GAAP has certain disclosure requirements for financial instruments, but only limited guidance on the recognition and measurement of financial instruments. The Group has decided not to recognise derivative financial instruments on the balance sheet. However, foreign currency assets and liabilities hedged by these contracts are translated into Thai Baht at exchange rates prevailing on the balance sheet date.

Under IFRS, derivative financial instruments are recognised on the balance sheet as either an asset or a liability initially at cost, which is the fair value of consideration given (in the case of an asset) or received (in the case of a liability). Transaction costs are included in the initial measurement. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Movements in fair values are recognised in the consolidated statement of income.

(d) *Investment in property*

In accordance with Thai GAAP, owned land held to earn rentals is classified as part of property, plant and equipment. This land is carried at a revalued amount less any subsequent accumulated impairment losses. Movements on the revaluation surplus are reflected in equity.

Under IFRS, owned property held to earn rentals is classified as part of investment property. This is covered by IAS No. 40 *Investment Property*. IAS No. 40 allows enterprises to choose either a fair value model or a cost model to measure investment property.

In accordance with the fair value model, an enterprise should measure all of its investment property at its fair value. A gain or loss arising from a change in the fair value of investment property should be included in net profit or loss for the period in which it arises.

In accordance with the cost model, land and buildings held as investment property should be measured at cost less any accumulated impairment losses.

For the purposes of disclosure under IFRS, the Group has adopted the cost model for investment property consisting of both land and buildings. For Thai GAAP, the land has been revalued while the buildings have not.

Thai Beverage Public Company Limited and its Subsidiaries
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(e) Business combination (Goodwill)

Thai GAAP requires goodwill acquired in business combination to be systematically amortised over its estimated useful life, although its useful life should not exceed 20 years from initial recognition.

Under IFRS, acquired goodwill is measured after initial recognition at cost less any accumulated impairment losses. Therefore, goodwill is not amortised and must be tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

	Consolidated net profit	
	2007	2006
	<i>(in million Baht)</i>	
As reported in these consolidated financial statements under Thai GAAP	10,383	10,055
<i>Add (less) : Thai GAAP/IFRS differences (net of tax effect)</i>		
(a) Deferred tax	107	16
(b) Employee benefits	(60)	(62)
(c) Financial instruments	82	(45)
(d) Investment in property	3	-
(e) Business combination (Goodwill)	29	19
Under IFRS	10,544	9,983

	Consolidated total shareholders' equity	
	2007	2006
	<i>(in million Baht)</i>	
As reported in these consolidated financial statements under Thai GAAP	54,910	52,554
<i>Add (less) : Thai GAAP/IFRS differences (net of tax effect)</i>		
(a) Deferred tax	(636)	(1,429)
(b) Employee benefits	(581)	(521)
(c) Financial instruments	12	(70)
(d) Investment in property	(47)	(51)
(e) Business combination (Goodwill)	102	73
Under IFRS	53,760	50,556

**Thai Beverage Public Company Limited
and its Subsidiaries**

Annual financial statements
and
Audit report of Certified Public Accountant

For the years ended
31 December 2006 and 2005



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Audit Report of Certified Public Accountant

To the shareholders of Thai Beverage Public Company Limited

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

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

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial positions as at 31 December 2006 and 2005 and the results of operations and cash flows for the years then ended of Thai Beverage Public Company Limited and its subsidiaries, and of Thai Beverage Public Company Limited, respectively, in accordance with generally accepted accounting principles.

Disclosure of significant differences between generally accepted accounting principles in Thailand and International Financial Reporting Standards is not a required part of the basic financial statements under generally accepted accounting principles in Thailand, but it is presented in Note 33 to the notes to financial statements for information purposes only. I have not audited or reviewed such information and therefore do not express any audit opinion or review report thereon.

(Nirand Lilamethwat)
Certified Public Accountant
Registration No. 2316

KPMG Phoomchai Audit Ltd.
Bangkok
27 February 2007

Thai Beverage Public Company Limited and its Subsidiaries

Balance sheets

As at 31 December 2006 and 2005

Assets	Note	Consolidated		The Company	
		2006	2005 (Restated)	2006	2005
<i>(in Baht)</i>					
Current assets					
Cash and cash equivalents	6	1,919,576,970	3,397,994,012	15,622,582	18,562,884
Current investments		4,358,600	9,999,590	-	-
Trade accounts receivable, net	7	1,317,930,493	1,463,650,900	-	-
Short-term loans to and amounts due from related parties	5	64,334,648	157,680,524	16,536,017,371	15,041,591,940
Inventories, net	8	28,315,158,270	28,747,016,796	-	-
Other current assets	9	1,914,238,542	2,572,998,766	16,988,878	9,556,739
Total current assets		33,535,597,523	36,349,340,588	16,568,628,831	15,069,711,563
Non-current assets					
Investments accounted for using the equity method	10	135,490,042	128,781,575	69,391,025,129	68,045,384,180
Other long-term investments, net	11	3,753,619	4,462,473	-	-
Property, plant and equipment, net	12	49,532,143,469	50,027,842,938	845,926,385	751,334,172
Intangible assets, net	13	355,424,943	513,688,093	12,353,346	8,271,709
Other non-current assets, net	14	2,017,102,446	112,912,559	357,128,650	68,000
Total non-current assets		52,043,914,521	50,787,687,638	70,606,433,510	68,805,058,061
Total assets	4	85,579,512,044	87,137,028,226	87,175,062,341	83,874,769,624

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

Thal Beverage Public Company Limited and its Subsidiaries

Balance sheets

As at 31 December 2006 and 2005

Liabilities and shareholders' equity	Note	Consolidated		The Company	
		2006	2005 (Restated)	2006	2005
		(in Baht)			
Current liabilities					
Bank overdrafts and short-term					
loans from financial institutions	15	6,753,305,295	40,158,625,134	3,029,559,265	36,600,000,000
Trade accounts payable	16	2,275,670,644	1,691,136,338	-	-
Short-term guaranteed bonds	15	2,200,000,000	-	2,200,000,000	-
Current portion of long-term					
guaranteed bonds	15	2,300,000,000	-	2,300,000,000	-
Current portion of long-term loans	15	1,500,000,000	1,086,600,000	1,500,000,000	-
Short-term loans from and					
amounts due to related parties	5	4,837,787,398	4,164,857,315	17,457,028,757	15,610,981,855
Income tax payable		2,180,870,323	2,528,980,543	47,791,738	97,049,614
Other current liabilities	17	4,103,314,358	5,597,963,143	394,209,562	186,751,240
Total current liabilities		26,150,948,018	55,228,162,473	26,928,589,322	52,494,782,709
Non-current liabilities					
Long-term guaranteed bonds	15	3,000,000,000	-	3,000,000,000	-
Long-term loans from financial					
institutions	15	3,755,000,000	-	3,755,000,000	-
Excess of share losses over costs					
of investments	10	-	-	937,917,181	677,227
Other non-current liabilities		120,008,188	194,362,158	-	13,281,250
Total non-current liabilities		6,875,008,188	194,362,158	7,692,917,181	13,958,477
Total liabilities	4	33,025,956,206	55,422,524,631	34,621,506,503	52,508,741,186
Shareholders' equity					
Share capital	18				
Authorised share capital		29,000,000,000	29,000,000,000	29,000,000,000	29,000,000,000
Issued and paid-up share capital		25,110,025,000	22,000,000,000	25,110,025,000	22,000,000,000
Difference arising from common					
control transactions	4	(17,141,406,365)	(15,630,789,676)	(17,141,406,365)	(15,979,264,833)
Reserves	19				
Share premium		17,215,736,603	-	17,215,736,603	-
Currency translation changes		(19,508,334)	(5,341,471)	(19,508,334)	(5,341,471)
Fair value changes and revaluation					
surpluses		6,586,263,579	6,584,735,444	6,586,263,579	6,584,735,444
Retained earnings					
Appropriated - legal reserve	19	1,700,000,000	1,110,000,000	1,700,000,000	1,110,000,000
Unappropriated		19,102,445,355	17,655,899,298	19,102,445,355	17,655,899,298
Total shareholders' equity	4	52,553,555,838	31,714,503,595	52,553,555,838	31,366,028,438
Total liabilities and shareholders' equity		85,579,512,044	87,137,028,226	87,175,062,341	83,874,769,624

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

Thai Beverage Public Company Limited and its Subsidiaries

Statements of Income

For the years ended 31 December 2006 and 2005

	Note	Consolidated		The Company	
		2006	2005 (Restated)	2006	2005
(In Baht)					
Revenues					
	5				
Revenue from sales		97,797,921,895	94,903,412,262	-	-
Interest income		56,452,361	71,522,742	858,621,337	616,562,118
Management fees		-	-	3,432,470,973	2,349,829,494
Other income	21	77,938,829	193,261,442	4,873,832	2,026,646
Share of profits from investments accounted for using the equity method		<u>23,684,083</u>	<u>22,035,776</u>	<u>9,128,590,784</u>	<u>9,812,306,781</u>
Total revenues		<u>97,955,997,168</u>	<u>95,190,232,222</u>	<u>13,424,556,926</u>	<u>12,780,725,039</u>
Expenses					
	5				
Cost of sales		69,325,121,958	65,187,736,555	-	-
Selling and administrative expenses	22	<u>12,684,556,582</u>	<u>13,180,252,286</u>	<u>943,322,290</u>	<u>722,625,339</u>
Total expenses		<u>82,009,678,540</u>	<u>78,367,988,841</u>	<u>943,322,290</u>	<u>722,625,339</u>
Profit before interest and income tax expenses					
		15,946,318,628	16,822,243,381	12,481,234,636	12,058,099,700
Interest expense		1,568,651,172	1,741,803,230	2,253,267,473	1,775,183,024
Income tax expense		<u>4,322,890,312</u>	<u>4,743,184,044</u>	<u>149,318,356</u>	<u>150,137,320</u>
Net profit	4	<u>10,054,777,144</u>	<u>10,337,254,107</u>	<u>10,078,648,807</u>	<u>10,132,779,356</u>
Basic earnings per share	4, 24	<u>0.42</u>	<u>0.47</u>	<u>0.42</u>	<u>0.46</u>

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