

Thai Beverage Public Company Limited and its Subsidiaries

Notes to the financial statements
For the years ended 31 December 2006 and 2005

12 Property, plant and equipment

	Land		Total	Consolidated					Total			
	Cost	surplus on land revaluation		Land improvement	Building and improvements	Machinery and equipment	Oak barrels	Furniture fixtures and office equipment		Vehicles	Construction in progress	
<i>Cost/valuation</i>												
At 1 January 2005	7,856.60	6,699.71	14,556.31	719.20	15,361.49	34,031.61	2,782.31	447.87	1,479.71	2,698.08	72,076.58	
Additions	560.54	20.35	580.89	0.06	28.54	153.66	5.80	74.37	6,428.27	50.77	7,322.36	
Transfers	-	-	-	0.83	150.68	796.59	-	50.90	(739.04)	(2.46)	257.50	
Disposals	(475.84)	(134.83)	(610.67)	-	(138.75)	(91.70)	(35.19)	(11.75)	(0.88)	(30.88)	(919.82)	
At 31 December 2005	7,941.30	6,585.23	14,526.53	720.09	15,401.96	34,890.16	2,752.92	561.39	7,168.06	2,715.51	78,736.62	
Additions	423.65	3.16	426.81	1.95	200.19	1,069.89	30.79	83.63	2,199.01	29.43	4,041.70	
Transfers	-	-	-	434.07	795.84	5,438.83	0.18	(35.11)	(20.84)	(6,612.97)	(25.23)	-
Disposals	(0.12)	(1.63)	(1.75)	(1.96)	(10.54)	(92.01)	(0.22)	(11.11)	(0.49)	-	(143.31)	
At 31 December 2006	8,364.83	6,586.76	14,951.59	1,154.15	16,287.45	41,306.87	2,783.67	598.80	2,753.61	2,698.87	82,635.01	
<i>Accumulated depreciation</i>												
At 1 January 2005	-	-	-	155.76	4,489.27	16,657.91	1,115.50	271.81	-	1,758.90	24,449.15	
Depreciation charge for the year	-	-	-	45.40	724.89	3,008.67	133.32	65.13	-	359.76	4,337.17	
Transfers	-	-	-	-	-	64.44	-	(15.44)	-	(3.51)	45.49	
Disposals	-	-	-	-	(26.35)	(58.37)	(7.99)	(8.35)	-	(21.97)	(123.03)	
At 31 December 2005	-	-	-	201.16	5,187.81	19,672.65	1,240.83	313.15	-	2,093.18	28,708.78	
Depreciation charge for the year	-	-	-	52.97	752.51	3,171.31	134.05	75.69	-	314.25	4,480.78	
Transfers	-	-	-	224.14	(260.99)	85.79	0.18	(34.45)	-	(14.67)	-	
Disposals	-	-	-	(1.42)	(5.81)	(48.23)	(0.05)	(9.23)	-	(21.95)	(86.69)	
At 31 December 2006	-	-	-	476.85	5,653.52	22,881.52	1,375.01	345.16	-	2,370.81	33,102.87	
<i>Net book value</i>												
At 31 December 2005	7,941.30	6,585.23	14,526.53	518.93	10,214.15	15,217.51	1,512.09	248.24	7,168.06	622.33	50,027.84	
At 31 December 2006	8,364.83	6,586.76	14,951.59	677.50	10,733.93	18,425.35	1,408.66	253.64	2,753.61	328.06	49,532.14	

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

As at 31 December 2006 the historical cost of fully depreciated plant and equipment, which were still in use amounted to Baht 3,025.90 million (2005: Baht 2,253.62 million).

As at 31 December 2006 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, totaled Baht 34,530.16 million (2005: Baht 31,658.05 million).

As at 31 December 2006 the carrying amount of idle land, which is held for planned future business operations amounted to Baht 1,625.97 million (2005: Baht 1,735.21 million).

Thai Beverage Public Company Limited and its Subsidiaries

Notes to the financial statements
For the years ended 31 December 2006 and 2005

	Cost	Land surplus on land revaluation	Total	The Company Furniture, fixtures and office equipment (in million Baht)	Vehicles	Construction in progress	Total
Cost/valuation							
At 1 January 2005	410.90	134.52	545.42	4.65	-	121.90	671.97
Additions	-	-	-	63.06	24.18	-	87.24
Disposals	-	-	-	-	-	(0.98)	(0.98)
At 31 December 2005	410.90	134.52	545.42	67.71	24.18	120.92	758.23
Additions	-	-	-	27.12	0.02	99.93	127.07
Disposals	-	-	-	(0.17)	-	(10.89)	(11.06)
At 31 December 2006	410.90	134.52	545.42	94.66	24.20	209.96	874.24
Accumulated depreciation							
At 1 January 2005	-	-	-	0.28	-	-	0.28
Depreciation charge for the year	-	-	-	5.00	1.62	-	6.62
At 31 December 2005	-	-	-	5.28	1.62	-	6.90
Depreciation charge for the year	-	-	-	16.64	4.84	-	21.48
Disposals	-	-	-	(0.07)	-	-	(0.07)
At 31 December 2006	-	-	-	21.85	6.46	-	28.31
Net book value							
At 31 December 2005	410.90	134.52	545.42	62.43	22.56	120.92	751.33
At 31 December 2006	410.90	134.52	545.42	72.81	17.74	209.96	845.93

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

In 2006 and 2005, the Company and subsidiaries recognized revaluation land as disclosed in Note 19.

Depreciation of plant and equipment for the years ended 31 December, consisted of:

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Included in cost of production	2,879.58	2,378.45	-	-
Included in selling and administrative expenses	1,601.20	1,958.72	21.48	6.62
Total	4,480.78	4,337.17	21.48	6.62

Borrowing costs for the years ended 31 December capitalized as part of asset cost, consisted of:

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Interest expense	154.33	82.71	-	-

13 Intangible assets

	Trademark	Leasehold	Consolidated		Goodwill	Total
			Computer software	Broadcasting rights		
	<i>(in million Baht)</i>					
<i>Cost</i>						
At 1 January 2005	304.86	1.04	4.28	101.96	426.11	838.25
Additions	1.82	0.12	11.69	59.93	-	73.56
Transfer	-	-	0.32	-	-	0.32
At 31 December 2005	306.68	1.16	16.29	161.89	426.11	912.13
Additions	3.43	0.70	8.93	-	-	13.06
At 31 December 2006	310.11	1.86	25.22	161.89	426.11	925.19
<i>Accumulated amortisation</i>						
At 1 January 2005	158.01	0.13	0.58	19.83	140.19	318.74
Amortisation charge for the year	24.67	0.18	1.57	18.53	34.73	79.68
Transfers	-	-	0.02	-	-	0.02
At 31 December 2005	182.68	0.31	2.17	38.36	174.92	398.44
Amortisation charge for the year	24.93	0.26	3.87	123.53	18.74	171.33
At 31 December 2006	207.61	0.57	6.04	161.89	193.66	569.77
<i>Net book value</i>						
At 31 December 2005	124.00	0.85	14.12	123.53	251.19	513.69
At 31 December 2006	102.50	1.29	19.18	-	232.45	355.42

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

	The Company Computer software <i>(in million Baht)</i>
<i>Cost</i>	
At 1 January 2005	1.36
Additions	8.20
At 31 December 2005	<u>9.56</u>
Additions	6.67
At 31 December 2006	<u>16.23</u>
<i>Accumulated amortisation</i>	
At 1 January 2005	0.07
Amortisation charge for the year	1.22
At 31 December 2005	<u>1.29</u>
Amortisation charge for the year	2.59
At 31 December 2006	<u>3.88</u>
<i>Net book value</i>	
At 31 December 2005	8.27
At 31 December 2006	12.35

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

14 Other non-current assets

	Note	Consolidated		The Company	
		2006	2005	2006	2005
		<i>(in million Baht)</i>			
Advance payments to a specialist Stainless steel plates	28	1,879.16	-	352.34	-
Deposits		71.44	33.27	-	-
Others		57.92	67.29	4.72	-
		<u>13.94</u>	<u>18.60</u>	<u>0.07</u>	<u>0.07</u>
		<u>2,022.46</u>	<u>119.16</u>	<u>357.13</u>	<u>0.07</u>
Less Allowance for impairment of assets		(5.36)	(6.25)	-	-
Net		<u>2,017.10</u>	<u>112.91</u>	<u>357.13</u>	<u>0.07</u>

15 Interest-bearing liabilities

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Current				
Bank overdrafts				
- Guaranteed	1,516.42	858.63	-	-
- Unsecured	366.89	-	29.56	-
	<u>1,883.31</u>	<u>858.63</u>	<u>29.56</u>	<u>-</u>
Short-term loans from financial institutions				
- Secured	-	2,700.00	-	-
- Guaranteed / Negative pledge	-	36,600.00	-	36,600.00
- Unsecured	4,870.00	-	3,000.00	-
	<u>4,870.00</u>	<u>39,300.00</u>	<u>3,000.00</u>	<u>36,600.00</u>
Short-term guaranteed bonds				
- Guaranteed / Negative pledge	2,200.00	-	2,200.00	-
Current portion of long-term guaranteed bonds				
- Guaranteed / Negative pledge	2,300.00	-	2,300.00	-
Current portion of long-term loans				
- Secured	-	1,086.60	-	-
- Guaranteed / Negative pledge	1,500.00	-	1,500.00	-
	<u>12,753.31</u>	<u>41,245.23</u>	<u>9,029.56</u>	<u>36,600.00</u>
Non-current				
Long-term guaranteed bonds				
- Guaranteed / Negative pledge	3,000.00	-	3,000.00	-
Long-term loans from financial institutions				
- Guaranteed / Negative pledge	3,755.00	-	3,755.00	-
	<u>6,755.00</u>	<u>-</u>	<u>6,755.00</u>	<u>-</u>
Total	<u>19,508.31</u>	<u>41,245.23</u>	<u>15,784.56</u>	<u>36,600.00</u>

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

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

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Within one year	12,753.31	41,245.23	9,029.56	36,600.00
After one year but within five years	<u>6,755.00</u>	<u>-</u>	<u>6,755.00</u>	<u>-</u>
Total	<u>19,508.31</u>	<u>41,245.23</u>	<u>15,784.56</u>	<u>36,600.00</u>

The interest rate exposure of the borrowings as at 31 December was as follows:

	2006		2005	
	Range	Weighted	Range	Weighted
Bank overdrafts	6.00 - 10.75	7.16	6.00 - 7.00	6.00
Short-term loans from financial institutions	5.27 - 5.45	5.41	3.75 - 5.00	4.74
Short-term guaranteed bonds	5.40	5.40	-	-
Long-term guaranteed bonds and current portion	5.55 - 5.75	5.66	-	-
Long-term loan and current portion	5.70 - 5.75	5.73	5.00	5.00

The currency denomination of interest-bearing liabilities was as follows:

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Thai Baht (THB)	18,652.17	40,386.76	15,784.56	36,600.00
Great Britain Pound (GBP)	<u>856.14</u>	<u>858.47</u>	<u>-</u>	<u>-</u>
Total	<u>19,508.31</u>	<u>41,245.23</u>	<u>15,784.56</u>	<u>36,600.00</u>

As at 31 December 2006 the Group had unutilized credit facilities totalling Baht 17,789.94 million (2005: Baht 14,851.74 million).

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

The principal features of the borrowings are as follows:

- (a) Bank overdrafts are repayable on demand. As at 31 December 2006, the Group has a total overdraft facilities amounting to Baht 3,705.39 million (2005: Baht 3,595.55 million) which is partially guaranteed by five subsidiaries.
- (b) Short-term loans from financial institutions as at 31 December 2006, the Group has short-term loan facilities from several financial institutions totalling 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 commercial banks totalling Baht 4,870 million (2005: Baht 39,300 million)

Short-term loans from financial institutions as at December 2005 amounted to Baht 36,600 million were guaranteed by four subsidiaries together with Negative Pledge agreement 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, during any period that the Company has not yet repaid these loans and/or is still liable to the banks under these promissory notes, unless written consent from the banks is received. As at 31 December 2005 the net book value of assets used as security under the negative pledge are disclosed in Note 12. The remaining short-term loans from financial institutions are secured certain inventories of subsidiaries. The carrying amount of inventories that have been pledged as security is disclosed in Note 8. In 2006, such short-term loans were repaid and its collaterals were redeemed.

- (c) On 22 February 2006 the Company issued guaranteed bonds totalling Baht 10,000 million 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.

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

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

The principal is to be redeemed at maturity. Interest is payable semi-annually commencing on 22 August 2006. As at 31 December 2006 the net book value of assets used as security under the negative pledge are disclosed in Note 12.

The proceeds from the issuance of the bonds were utilised in the repayment of short-term loans from financial institutions.

- (d) Long-term loan and its current portion in the consolidated balance sheet as at 31 December 2005 was obtained from a domestic commercial bank by a subsidiary and is to be repaid monthly in 23 installments, Baht 110 million for the first 22 installments and Baht 96.60 million for the last installment, which commenced in December 2004. Interest is payable monthly at a fixed rate of 4% per annum for the first year and MLR-1.75% per annum afterwards. This loan is secured by certain inventories of subsidiaries. As at 31 December 2005 the carrying amount of those inventories is disclosed in Note 8. In October 2006, the last installment of such loan was repaid and its secured inventories were redeemed.

During March 2006, the Company entered into new loan agreements with eight commercial banks to obtain long-term borrowings totalling Baht 26,600 million in order to repay short-term loans. 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 6.00% 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. The net book values of assets used as security under the negative pledge are disclosed in Note 12.

The loans were fully drawn during 28 and 29 March 2006 and were immediately utilised for the repayment of short-term loans.

On 30 May 2006 and 5 July 2006, the Company partially repaid long-term loans with accrued interest to seven financial institutions amounting to Baht 15,959.20 million and Baht 4,376.31 million, respectively.

16 Trade accounts payable

	Note	Consolidated		The Company	
		2006	2005	2006	2005
		<i>(in million Baht)</i>			
Trade accounts payable to related parties	5	819.31	521.12	-	-
Trade accounts payable to other parties		1,456.36	1,170.02	-	-
Total		2,275.67	1,691.14	-	-

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

17 Other current liabilities

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Advanced payments from customers for purchase of goods	1,004.74	1,879.05	-	-
Accrued expenses	883.34	727.00	90.47	53.92
Value added tax payable	686.81	736.84	104.82	81.61
Construction payable	344.32	596.98	4.72	11.78
Outstanding cheque paid for excise tax	294.89	918.68	-	-
Deposits and retention payable	272.62	318.74	2.93	0.43
Accrued interest expense	163.23	15.13	156.56	14.13
Accrued promotion expense	132.70	230.41	-	-
Withholding tax payable	79.43	72.80	22.47	23.20
Other payables	60.93	43.17	11.77	1.31
Others	180.30	59.16	0.47	0.37
Total	4,103.31	5,597.96	394.21	186.75

18 Share capital

	Par value <i>(in Baht)</i>	2006		2005	
		Number	Baht	Number	Baht
		<i>(million share/million Baht)</i>			
<i>Authorised</i>					
At 1 January	1	29,000	29,000	22,000	22,000
Issue of new shares	1	-	-	7,000	7,000
At 31 December	1	29,000	29,000	29,000	29,000
<i>Issued and fully paid</i>					
At 1 January	1	22,000	22,000	22,000	22,000
Issue of new shares	1	3,110	3,110	-	-
At 31 December	1	25,110	25,110	22,000	22,000

The Extraordinary Meeting of Shareholders of the Company No. 1/2005 held on 8 July 2005 unanimously approved to increase the authorised share capital of the Company from Baht 22,000 million to Baht 29,000 million through the issue of 7,000 million ordinary shares with a Baht 1 par value. Of this increase, an amount not exceeding 6,000 million shares will be allocated to the public and an amount not exceeding 1,000 million shares will be available as a "Greenshoe Option". The Company registered the increase of its authorised share capital with the Ministry of Commerce on 11 July 2005.

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.

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

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.

Currency translation changes

Currency translation changes consisted of 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

Fair value changes recognised in shareholders' equity relate to cumulative net changes in the fair value of available-for-sale equity securities.

Revaluation surpluses

During 2003 and 2004, the Group revalued all land held. Revaluations of land are carried out by independent professional valuers on an open market basis. The revaluations were originally based on valuations reported by the independent professional valuers in 2003 and 2004. In September 2005, the valuers updated the valuations, which have been recognised as adjusting events occurring after the balance sheet date. As a result of the updated revaluations a surplus of Baht 6,453.34 million was recognised as a revaluation surplus in 2003 as a component of shareholders' equity, a surplus of Baht 246.38 million was recognized in 2004, and a surplus of Baht 134.83 million was reversed in 2005.

In addition, in 2005, a subsidiary company obtained a revaluation of its land from independent professional valuers and a surplus of Baht 20.35 million was recognised in the 2005 financial statements.

Subsequently, in 2006, a subsidiary company obtained a revaluation of its land from independent professional valuers and recognised a revaluation surplus in the amount of Baht 3.16 million. The other subsidiary company sold its land which has been revalued and recognised a revaluation surplus, and adjusted in a reduction in the revaluation surplus in the amount of Baht 1.63 million.

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

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 Segmental information

Segment information is presented in respect of both 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);
<i>Alcohol</i>	Production and sales of alcohol (mostly outside the group); and
<i>Related</i>	Purchasing of packaging materials and sale of byproducts (mostly within the group).

Geographical 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.

Thai Beverage Public Company Limited and its Subsidiaries

Notes to the financial statements
For the years ended 31 December 2006 and 2005

Business segment results

	Beer/water		Spirits		Alcohol		Related		Elimination		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue	46,641.00	42,276.97	51,428.33	52,810.99	1,205.04	869.18	7,155.13	6,633.04	(8,631.58)	(7,686.77)	97,797.92	94,903.41
Interest income	24.44	33.73	25.90	33.75	1.07	0.39	9.14	5.11	(4.10)	(1.46)	56.45	71.52
Other income	43.63	141.16	97.69	94.17	3.76	12.41	43.58	20.72	(87.03)	(53.16)	101.63	215.30
Total revenue	46,709.07	42,451.86	51,551.92	52,938.91	1,209.87	881.98	7,207.85	6,653.87	(8,722.71)	(7,741.39)	97,956.00	95,190.23
Cost of sales	35,608.95	32,548.68	33,002.21	32,061.52	995.25	471.34	6,365.11	6,068.29	(6,646.40)	(5,962.09)	69,325.12	65,187.74
Selling and administrative expenses	6,932.13	6,983.69	7,169.68	7,343.53	177.31	165.74	454.34	461.61	(2,048.90)	(1,774.32)	12,684.56	13,180.25
Total expenses	42,541.08	39,532.37	40,171.89	39,405.05	1,172.56	637.08	6,819.45	6,529.90	(8,695.30)	(7,736.41)	82,009.68	78,367.99
Profit before interest and income tax expenses	4,167.99	2,919.49	11,380.03	13,533.86	37.31	244.90	388.40	128.97	(27.41)	(4.98)	15,946.32	16,822.24
Interest expense	302.94	386.69	1,187.26	1,263.96	51.23	42.14	31.32	50.48	(4.10)	(1.46)	1,568.65	1,741.81
Income tax	1,896.70	1,310.16	2,276.93	3,281.67	7.78	51.71	141.48	79.64	-	-	4,322.89	4,743.18
Net profit (loss)	1,968.35	1,202.64	7,915.84	8,988.23	(21.70)	151.05	215.60	(1.15)	(23.31)	(3.52)	10,054.78	10,337.25

Thai Beverage Public Company Limited and its Subsidiaries

Notes to the financial statements

For the years ended 31 December 2006 and 2005

Business segments financial position

	Beer/water		Spirits		Alcohol (in million Baht)		Related		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Inventories, net	2,822.32	2,743.99	25,077.45	25,398.22	275.07	118.99	139.32	285.82	28,315.16	28,747.02
Property, plant and equipment, net	19,940.44	20,716.07	25,673.45	25,241.98	1,681.17	1,736.57	2,237.08	2,333.22	49,532.14	50,027.84
Other assets	1,680.17	2,571.89	5,298.09	5,079.23	562.75	144.80	191.20	566.25	7,732.21	8,362.17
Total Assets	24,443.93	26,031.95	56,048.99	56,919.43	2,518.99	2,000.36	2,567.60	3,185.29	85,579.51	87,137.03
Total debt	5,567.24	11,368.59	13,012.17	27,557.96	571.33	1,029.88	357.57	1,288.79	19,508.31	41,245.22
Other liabilities	4,615.66	4,812.41	7,837.00	8,807.07	45.45	78.08	1,019.54	779.74	13,517.65	14,177.30
Total liabilities	10,182.90	16,181.00	20,849.17	36,065.03	616.78	1,107.96	1,377.11	2,068.53	33,025.96	55,422.52
Capital expenditure	1,350.45	6,392.43	2,606.06	481.49	67.83	254.25	14.20	170.84	4,038.54	7,302.01
- Fixed assets	4.98	4.80	7.65	5.26	0.24	0.23	0.19	63.27	13.06	73.56
- Intangible assets	2,025.26	1,902.56	2,238.02	2,228.60	126.29	120.54	91.21	85.47	4,480.78	4,337.17
Depreciation	2.20	16.42	44.83	59.87	0.09	0.03	124.21	18.65	171.33	94.97
Amortisation										

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

Geographical segments

The segment financial information of the Group based on geographical segments for the year 2006 and 2005 was as follows:

	Consolidated		Fixed assets	
	Revenue 2006	2005 <i>(in million Baht)</i>	2006	2005
Thailand	95,106.26	92,362.87	48,031.73	48,501.26
Overseas	2,849.74	2,827.36	1,500.41	1,526.58
Total	97,956.00	95,190.23	49,532.14	50,027.84

21 Other income

	Consolidated		The Company	
	2006	2005 <i>(in million Baht)</i>	2006	2005
Revenue from sales of scraps	31.79	20.19	-	-
Gain on disposal of assets	1.69	11.98	-	-
Gain on exchange rate	-	43.78	-	0.01
Reversal of accrued royalty expense	-	41.86	-	-
Others	44.46	75.45	4.87	2.02
Total	77.94	193.26	4.87	2.03

22 Selling and administrative expenses

	Consolidated		The Company	
	2006	2005 <i>(in million Baht)</i>	2006	2005
Marketing and advertising expenses	3,993.54	4,949.79	98.06	84.16
Personnel expenses	3,095.15	2,946.54	522.48	420.58
Idle capacity	1,679.04	2,165.00	-	-
Vehicle and transportation expenses	806.09	642.18	11.23	25.68
Depreciation and amortisation	515.68	541.19	24.08	7.84
Loss on exchange rate	129.34	-	14.97	-
Others	2,465.72	1,935.55	272.50	184.37
Total	12,684.56	13,180.25	943.32	722.63

23 Personnel expenses

	Consolidated		The Company	
	2006	2005 <i>(in million Baht)</i>	2006	2005
Salaries and wages	3,265.19	3,064.57	321.36	288.25
Bonus	637.22	564.84	154.13	116.75
Contribution to defined contribution plans	9.37	6.05	5.35	0.05
Others	785.91	781.49	41.64	15.53
Total	4,697.69	4,416.95	522.48	420.58

(number of employees)

Number of employees as at 31 December	22,412	20,134	335	281
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Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

The defined contribution plans comprise provident funds established by the Group for its 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 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 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of shares outstanding.

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Profit attributable to ordinary shareholders	<u>10,054.78</u>	<u>10,337.25</u>	<u>10,078.65</u>	<u>10,132.78</u>

Weighted average number of ordinary shares

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million share)</i>			
Issued ordinary shares at 1 January	22,000.00	22,000.00	22,000.00	22,000.00
Effect of shares issued on 29 May 2006	1,453.27	-	1,453.27	-
Effect of shares issued on 3 July 2006	331.88	-	331.88	-
Weighted average number of ordinary shares for the year	<u>23,785.15</u>	<u>22,000.00</u>	<u>23,785.15</u>	<u>22,000.00</u>

25 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 approved machinery.
- (b) exemption from payment of income tax for a period of eight years from the dates on which the income is first derived from such operations. In the event the subsidiary incurs a loss during this eight year period, the subsidiary can carry these losses forward to deduct against any future profits for a period of five years.
- (c) 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 conditions and restrictions provided for in the promotional certificate.

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.

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

26 Dividends

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, from the net profit of 2005. The dividend was paid to shareholders on 26 April 2006.

At the Board of Directors Meeting of the Company held on 10 August 2006, the meeting approved the appropriation of interim dividends of Baht 0.11 per share, amounting to Baht 2,762.10 million, from the first half of 2006. The interim dividend was paid to shareholders on 8 September 2006.

27 Financial instruments

Financial risk management and 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.

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 with maturities of less than one year 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.

The table below provides an indication of the Group's foreign currency positions as at 31 December, relating to the Group's exposure and forward exchange contracts used to hedge against the exposure as a result of the Group's policy.

	Consolidated			
	2006	2005		
	In foreign currency	In Baht	In foreign currency	In Baht
	(million)			
<i>Financial assets denominated in foreign currencies:</i>				
US Dollar (USD)	1.10	39.57	0.19	7.84
Euro (EUR)	0.75	35.55	-	0.11
Canadian Dollar (CAD)	0.12	3.78	-	-
Singapore Dollar (SGD)	-	0.06	0.15	3.57
Others	0.12	1.38	-	-
Total		<u>80.34</u>		<u>11.52</u>

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

	Consolidated			
	2006	In Baht		2005
	In foreign currency	In foreign currency	In Baht	In Baht
		(million)		
<i>Financial liabilities denominated in foreign currencies:</i>				
US Dollar (USD)	9.98	362.17	7.28	299.02
Euro (EUR)	2.27	108.22	0.79	38.62
Great Britain Pound (GBP)	1.26	89.42	0.54	38.12
Australian Dollar (AUD)	0.22	6.47	0.24	7.42
Others	0.92	4.81	0.05	0.39
Total		<u>571.09</u>		<u>383.57</u>
<i>Forward exchange contracts to buy foreign currencies (mark-to-market value):</i>				
US Dollar (USD)	53.25	1,919.99	16.24	667.39
Euro (EUR)	16.18	771.15	20.17	991.86
Great Britain Pound (GBP)	7.62	539.64	5.41	384.81
Australian Dollar (AUD)	0.87	24.88	3.97	119.55
Total		<u>3,255.66</u>		<u>2,163.61</u>
<i>Forward exchange contracts to sell foreign currencies (mark-to-market value):</i>				
US Dollar (USD)	-	-	1.20	49.16
Singapore Dollar (SGD)	63.60	1,500.61	-	-
Total		<u>1,500.61</u>		<u>49.16</u>

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.

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

28 Commitments

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million)</i>			
<i>Capital commitments</i>				
<i>Contracted but not provided for</i>				
Baht	620.82	1,330.20	11.00	132.69
Euro (EUR)	8.59	7.44	-	-
US Dollar (USD)	0.06	-	-	-
Great Britain Pound (GBP)	2.97	-	-	-
Singapore Dollar (SGD)	0.11	-	0.11	-
<i>Authorised but not contracted for</i>				
Baht	2,914.15	2,927.79	1,633.70	1,259.79
Euro (EUR)	0.56	-	-	-
	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
<i>Non-cancellable operating lease commitments</i>				
Within one year	284.52	275.75	23.78	19.51
After one year but within five years	284.46	214.12	37.77	31.17
After five years	18.93	0.26	-	-
Total	587.91	490.13	61.55	50.68

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

Further to the above, the Group has the following additional commitments as at 31 December 2006 are as follows:

	In Million Baht	In Million US\$	In Million AUD	In Million Euro	In Million GBP
Raw material purchasing agreements (Malt & Hop)	-	44.12	-	9.39	6.24
Molasses purchasing agreements	1,727.81	-	-	-	-
Computer system installation agreements	309.13	-	-	-	-
Advertising and sponsorship agreements	122.52	-	-	-	-
Consulting and supervising service agreement for beer production	31.68	-	-	-	-
Other service agreements	32.43	0.14	-	-	-
Raw material sale agreements	6.66	-	-	-	-

- (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 August 1, 2004 to August 1, 2024. Afterwards, the Company has to pay monthly service fees of Baht 250,000 until the expiration of the agreements. Service fee under the agreements totaled Baht 1,766.20 million. As at 31 December 2006 the remaining commitments to be paid, relating to these agreements, amounted to Baht 1,636.72 million.

Subsequently, on 30 December 2005, the Company and the four subsidiaries entered into an addendum to the original agreements described above. The addendum became effective on 1 January 2006 whereby the Company paid Baht 375 million and the four subsidiaries paid a total of Baht 1,625 million as consideration to the specialist in January 2006 to exclusively secure his services. Under the addendum, the Company and the four subsidiaries concerned are entitled to seek damages, not exceeding Baht 2,000 million, for any intentional breach that the specialist fails to remedy, including non-performance of his contractual duties. Therefore, the total service fees under the agreements both outstanding and already paid by the Company and its subsidiaries amounted to Baht 3,766.20 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 £0.50 million and a maximum amount of £2.9 million per year, dependent on the performance of Everton football team in each year.

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

29 Litigation

Since 2002 up to 2006, a subsidiary's property tax assessment totaled Baht 167.82 million, recognised as expenses of Baht 16.50 million and other current assets of Baht 151.32 million. However, the subsidiary filed an application to the Central Tax Court to withdraw the assessment of the property tax (amount recognised as other current assets). During 2004 and 2006, the Central Tax Court ruled that the subsidiary should pay additional property taxes amounting to Baht 18.10 million. These additional taxes have been paid by the subsidiary and recognised as an expense.

The subsidiary has appealed and the case is currently being considered by the Central Tax Court and the Supreme Court. The management of the subsidiary and their attorney believe that the likelihood of winning is high.

30 Events after the balance sheet date

Significant events after the balance sheet date were as follows:

- (a) The Executive Board of Directors' Meeting No. 1/2007 held on 23 January 2007 unanimously approved the Company to utilise the long-term loan facilities from a commercial bank in the amount of Baht 4,500 million in order to increase the capital of International Beverage Holdings Limited in the amount of HK Dollar 980 million.
- (b) The Board of Directors' Meeting No. 1/2007 held on 9 February 2007 unanimously approved to sell land and building of ThaiBev Tower Project to T.C.C. Hotel Collection Company Limited, a related party, in the amount of Baht 819 million with a gain on sale of Baht 131.86 million.
- (c) The Board of Directors' Meeting No. 2/2007 held on 27 February 2007 unanimously agreed to propose a dividend payment of Baht 0.22 per share, totalling Baht 5,524.20 million. The interim dividend was paid of Baht 0.11 per share, amounting to Baht 2,762.10 million. The remaining is a dividend payment of Baht 0.11 per share, amounting to Baht 2,762.10 million.
- (d) The Executive Board of Directors' Meeting No. 4/2007 held on 27 February 2007 unanimously passed for the following solutions :
 - Approval for Pacific Spirit (UK) Limited in principle of granting term loan facilities offered by Barclays Bank PLC. in the amount of GBP 24 million.
 - Approval for Inver House Distillers Limited in principle of granting credit facilities offered by Barclays Bank PLC. in the amount of GBP 16 million.
 - Approval in principle of capital increase of Red Bull Distillery (1988) Co., Ltd. from Baht 3,000 million to Baht 5,000 million by the issue of 200 million ordinary shares with a Baht 10 par value.

31 Reclassification of accounts

Certain accounts in the 2005 financial statements have been reclassified to conform with the presentation in 2006 the financial statements.

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

32 New and revised accounting standards not yet adopted

On 11 October 2006, the Federation of Accounting Profession (FAP) announced that the Thai Accounting Standard No. 44 (TAS No.44) "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" is to be revised. FAP announcement No. 26/2006 requires a parent company which has investments in a subsidiary company, an entity under joint control, 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 an announcement is made), instead of the equity method currently used. This revision to TAS No. 44 is applicable to financial statements covering periods beginning on or after 1 January 2007, with early adoption encouraged.

The Company will adopt the change in accounting treatment for its investments in subsidiaries and associates for its separate financial statements from equity method to cost method on 1 January 2007 onward.

33 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 income and deferred taxes. In 2007, Thai GAAP plans to adopt TAS No. 56 *Accounting for Income tax*, which is not materially different from International Accounting Standard ("IAS") No.12 *Income Taxes*, with early adoption allowed. Whilst not specifically addressed in Thai GAAP, provisions for income taxes are typically based on corporate income taxes currently payable in the period under the Revenue Code of Thailand. The group has not opted for early adoption of TAS No. 56 and, as such, the Group does not recognise deferred tax assets and liabilities.

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.

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

(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.

(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.

Thai Beverage Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2006 and 2005

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.

(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	
	2006	2005
	<i>(in million Baht)</i>	
As reported in these consolidated financial statements under Thai GAAP	10,054.78	10,337.25
<i>Add (less) : Thai GAAP/IFRS differences (net of tax effect)</i>		
(a) Deferred tax	16.12	128.58
(b) Employee benefits	(61.65)	(54.95)
(c) Financial instruments	(44.69)	13.98
(d) Business combination (Goodwill)	18.74	34.73
Under IFRS	9,983.30	10,459.59

	Consolidated total shareholders' equity	
	2006	2005
	<i>(in million Baht)</i>	
As reported in these consolidated financial statements under Thai GAAP	52,553.55	31,714.50
<i>Add (less) : Thai GAAP/IFRS differences (net of tax effect)</i>		
(a) Deferred tax	(1,428.73)	(1,444.90)
(b) Employee benefits	(520.73)	(459.09)
(c) Financial instruments	(70.54)	(25.85)
(d) Investment in property	(50.86)	(50.86)
(e) Business combination (Goodwill)	73.29	54.55
Under IFRS	50,555.98	29,788.35