

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

		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	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		Separate	
	financial statements		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		Separate	
	financial statements	financial statements	financial statements	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	<u>10,842</u>	<u>9,924</u>	<u>302</u>	<u>1,755</u>

- (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.

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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.

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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.

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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.

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(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.

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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	355,424,945	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.

Thai 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
<i>(in Baht)</i>					
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
<i>(in Baht)</i>					
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		23,684,083	22,035,776	9,128,590,784	9,812,306,781
Total revenues		97,955,997,168	95,190,232,222	13,424,556,926	12,780,725,039
Expenses	5				
Cost of sales		69,325,121,958	65,187,736,555	-	-
Selling and administrative expenses	22	12,684,556,582	13,180,252,286	943,322,290	722,625,339
Total expenses		82,009,678,540	78,367,988,841	943,322,290	722,625,339
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	1,741,805,230	2,253,267,473	1,775,183,024
Income tax expense		4,322,890,312	4,743,184,044	149,318,356	150,137,320
Net profit	4	10,054,777,144	10,337,254,107	10,078,648,807	10,132,779,356
Basic earnings per share	4, 24	0.42	0.47	0.42	0.46

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

Thai Beverage Public Company Limited and its Subsidiaries
Statements of changes in shareholders' equity
For the years ended 31 December 2006 and 2005

		Consolidated (2005 : Restated)					Total shareholders' equity		
		Reserve		Retained earnings					
	Note	Issued and paid-up share capital	Difference arising from common control transactions	Share premium	Currency translation changes	Fair value changes and revaluation surpluses	Legal reserve	Unappropriated	
		<i>(in Baht)</i>							
Balance at 1 January 2005		22,000,000,000	(6,218,164,735)	-	(2,980)	6,699,299,782	2,500,000	11,270,619,942	33,754,252,009
Changes in shareholders' equity for 2005									
Surplus on property revaluation	19	-	-	-	-	(114,483,767)	-	-	(114,483,767)
Unrealised loss on investment		-	-	-	-	(80,571)	-	-	(80,571)
Currency translation changes		-	(17,693,932)	-	(5,338,491)	-	-	-	(23,032,423)
Net expense recognised directly in shareholders' equity		-	(17,693,932)	-	(5,338,491)	(114,564,338)	-	-	(137,596,761)
Net profit	4	-	204,474,751	-	-	-	-	10,132,779,356	10,337,254,107
Total recognised income and expense		-	186,780,819	-	(5,338,491)	(114,564,338)	-	10,132,779,356	10,199,657,346
Consideration paid to shareholders of subsidiaries for the common control transactions	4	-	(9,645,998,710)	-	-	-	-	-	(9,645,998,710)
Increase in share capital in subsidiaries before business restructuring	4	-	46,592,950	-	-	-	-	-	46,592,950
Legal reserve		-	-	-	-	-	1,107,500,000	(1,107,500,000)	-
Dividends		-	-	-	-	-	-	(2,640,000,000)	(2,640,000,000)
Balance at 31 December 2005		22,000,000,000	(15,630,789,676)	-	(5,341,471)	6,584,735,444	1,110,000,000	17,655,899,298	31,714,503,595
Changes in shareholders' equity for 2006									
Surplus on property revaluation		-	-	-	-	1,528,135	-	-	1,528,135
Currency translation changes		-	(8,543,855)	-	(14,166,863)	-	-	-	(22,710,718)
Net expense recognised directly in shareholders' equity		-	(8,543,855)	-	(14,166,863)	1,528,135	-	-	(21,182,583)
Net profit		-	(23,871,663)	-	-	-	-	10,078,648,807	10,054,777,144
Total recognised income and expense		-	(32,415,518)	-	(14,166,863)	1,528,135	-	10,078,648,807	10,033,594,561
Consideration paid to shareholders of subsidiaries for the common control transactions	4	-	(1,505,240,976)	-	-	-	-	-	(1,505,240,976)
Increase in share capital in subsidiaries before business restructuring	4	-	27,039,805	-	-	-	-	-	27,039,805
Legal reserve		-	-	-	-	-	590,000,000	(590,000,000)	-
Dividends	26	-	-	-	-	-	-	(8,042,102,750)	(8,042,102,750)
Issue of share capital	18	3,110,025,000	-	17,215,736,603	-	-	-	-	20,325,761,603
Balance at 31 December 2006		25,110,025,000	(17,141,406,365)	17,215,736,603	(19,508,334)	6,586,263,579	1,700,000,000	19,102,445,355	52,553,555,838

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

Thai Beverage Public Company Limited and its Subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2006 and 2005

	Note	The Company					Total shareholders' equity	
		Difference arising from common control transactions	Reserves	Fair value changes and revaluation surpluses	Retained earnings			
		Issued and paid-up share capital	Share premium	Currency translation changes		Legal reserve	Unappropriated	
				(in Baht)				
Balance at 1 January 2005		22,000,000,000	-	(2,980)	6,699,299,782	2,500,000	11,270,619,942	30,319,798,622
Changes in shareholders' equity for 2005								
Surplus on property revaluation	19	-	-	-	(114,483,767)	-	-	(114,483,767)
Unrealised loss on investment		-	-	-	(80,571)	-	-	(80,571)
Currency translation changes		-	-	(5,338,491)	-	-	-	(5,338,491)
Net expense recognised directly in shareholders' equity		-	-	(5,338,491)	(114,564,338)	-	-	(119,902,829)
Net profit		-	-	-	-	-	10,132,779,356	10,132,779,356
Total recognised income and expense		-	-	(5,338,491)	(114,564,338)	-	10,132,779,356	10,012,876,527
Difference arising from common control transactions	4	-	-	-	-	1,107,500,000	(1,107,500,000)	(6,326,646,711)
Legal reserve		-	-	-	-	-	(2,640,000,000)	(2,640,000,000)
Dividends		-	-	-	-	-	17,655,899,298	17,655,899,298
Balance at 31 December 2005		22,000,000,000	-	(5,341,471)	6,584,735,444	1,110,000,000	17,655,899,298	31,366,028,438
Changes in shareholders' equity for 2006								
Surplus on property revaluation	19	-	-	-	1,528,135	-	-	1,528,135
Currency translation changes		-	-	(14,166,863)	-	-	-	(14,166,863)
Net expense recognised directly in shareholders' equity		-	-	(14,166,863)	1,528,135	-	-	(12,638,728)
Net profit		-	-	-	-	-	10,078,648,807	10,078,648,807
Total recognised income and expense		-	-	(14,166,863)	1,528,135	-	10,078,648,807	10,066,010,079
Difference arising from common control transactions		-	-	-	-	-	-	(1,162,141,532)
Legal reserve		-	-	-	-	590,000,000	(590,000,000)	-
Dividends	26	-	-	-	-	-	(8,042,102,750)	(8,042,102,750)
Issue of share capital	18	3,110,025,000	17,215,736,603	-	-	-	-	20,325,761,603
Balance at 31 December 2006		25,110,025,000	17,215,736,603	(19,508,334)	6,586,263,579	1,700,000,000	19,102,445,355	52,553,555,838

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

Thai Beverage Public Company Limited and its Subsidiaries

Statements of cash flows

For the years ended 31 December 2006 and 2005

	Note	Consolidated		The Company	
		2006	2005 (Restated)	2006	2005
<i>(in Baht)</i>					
Cash flows from operating activities					
Net profit		10,054,777,144	10,337,254,107	10,078,648,807	10,132,779,356
<i>Adjustments for</i>					
Depreciation and amortisation		4,652,102,246	4,432,147,625	24,071,862	7,837,319
Interest income		(56,452,361)	(71,522,742)	(858,621,337)	(616,562,118)
Interest expense		1,568,651,172	1,741,805,230	2,253,267,473	1,775,183,024
Amortisation of advance payments to a specialist		50,000,000	70,833,333	9,375,000	13,281,250
Allowance for obsolete inventories		354,960,794	179,217,640	-	-
Allowance for impairment loss on equipment		-	921,096	-	-
Loss on sale and disposal of property, plant and equipment		4,734,397	80,027,724	50,309	-
Unrealised loss on exchange rate		11,720,775	15,879,762	16,321,434	-
Loss on sale of investment		708,828	3,465,809	-	-
Allowance for decline in value of investments		-	(1,135,640)	-	-
Share of profits from investments accounted for using the equity method		(23,684,083)	(22,035,776)	(9,128,590,784)	(9,812,306,781)
Income tax expense		4,322,890,312	4,743,184,044	149,318,356	150,137,320
		<u>20,940,409,224</u>	<u>21,510,042,212</u>	<u>2,543,841,120</u>	<u>1,650,349,370</u>
Changes in operating assets and liabilities					
Trade accounts receivable		143,293,100	209,688,035	-	-
Amounts due from related parties		36,148,778	5,031,748,818	(354,909,409)	(880,381,965)
Inventories		76,897,733	4,538,613,438	-	-
Other current assets		657,219,479	963,126,112	(7,432,139)	(9,331,464)
Trade accounts payable		583,226,076	(320,059,744)	-	-
Amounts due to related parties		46,080,798	(229,335,116)	5,885,734	7,509,246
Other current liabilities		(1,637,370,959)	2,053,429,124	60,617,406	105,665,053
Other non-current liabilities		(3,520,637)	(25,705,031)	-	-
Advance payments to a specialist	28	(2,000,000,000)	-	(375,000,000)	-
Income taxes paid		(4,671,000,532)	(5,164,843,709)	(198,576,232)	(62,476,074)
Net cash provided by operating activities		<u>14,171,383,060</u>	<u>28,566,704,139</u>	<u>1,674,426,480</u>	<u>811,334,166</u>

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

Thai Beverage Public Company Limited and its Subsidiaries

Statements of cash flows

For the years ended 31 December 2006 and 2005

	Note	Consolidated		The Company	
		2006	2005 (Restated)	2006	2005
<i>(in Baht)</i>					
Cash flows from investing activities					
Interest received		58,093,432	69,514,872	847,583,522	573,221,540
Dividends received		16,975,616	23,385,005	8,055,408,868	5,235,676,477
Current investments		5,640,990	(8,469,902)	-	-
Short-term loans to related parties		40,850,000	376,838,008	(1,144,799,640)	1,656,000,000
Investments accounted for using the equity method		-	-	(509,999,340)	(535,046,490)
Consideration paid to shareholders of subsidiaries for the common control transactions		(1,505,240,976)	(9,645,998,710)	-	(9,619,911,346)
Increase in share capital in subsidiaries before business restructuring		27,039,805	46,592,950	-	-
Sale of long-term investments		26	1,111,381,960	-	-
Purchase of property, plant and equipment		(4,038,539,449)	(7,302,013,424)	(111,780,397)	(68,425,187)
Sale of property, plant and equipment		50,253,932	581,007,562	58,906	-
Purchase of intangible assets		(13,060,373)	(73,555,660)	(6,666,764)	(8,206,360)
Other non-current assets		(25,023,220)	9,626,623	(4,716,900)	(68,000)
Net cash provided by (used in) investing activities		(5,383,010,217)	(14,811,690,716)	7,125,088,255	(2,766,759,366)
Cash flows from financing activities					
Interest paid		(1,420,545,600)	(1,741,800,683)	(2,086,173,156)	(1,731,616,587)
Dividends paid	26	(8,042,102,750)	(2,640,000,000)	(8,042,102,750)	(2,640,000,000)
Bank overdrafts and short-term loans from financial institutions		(33,405,319,840)	(5,223,957,520)	(33,570,440,734)	(1,528,565,682)
Proceeds from short-term guaranteed bonds		4,700,000,000	-	4,700,000,000	-
Repayment of short-term guaranteed bonds		(2,500,000,000)	-	(2,500,000,000)	-
Short-term loans from related parties		629,727,420	(514,822,212)	1,815,500,000	7,856,400,000
Proceeds from long-term guaranteed bonds		5,300,000,000	-	5,300,000,000	-
Proceeds from long-term loans from financial institutions		26,600,000,000	-	26,600,000,000	-
Repayment of long-term loans from financial institutions		(22,431,600,000)	(1,320,000,000)	(21,345,000,000)	-
Proceeds from issue of shares	18	20,325,761,603	-	20,325,761,603	-
Net cash provided by (used in) financing activities		(10,244,079,167)	(11,440,580,415)	(8,802,455,037)	1,956,217,731
Currency translation changes	19	(22,710,718)	(23,032,423)	-	-
Net increase (decrease) in cash and cash equivalents		(1,478,417,042)	2,291,400,585	(2,940,302)	792,531
Cash and cash equivalents at beginning of year		3,397,994,012	1,106,593,427	18,562,884	17,770,353
Cash and cash equivalents at end of year	6	1,919,576,970	3,397,994,012	15,622,582	18,562,884

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

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

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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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 27 February 2007.

1 General information

Thai Beverage Public Company Limited, the “Company”, is incorporated and registered as a public company in Thailand on 29 October 2003. The registered office of the Company is at 14 Vibhavadi Rangsit Road, Chomphon, Chatuchak, Bangkok.

The Company was listed on the Singapore Exchange Securities Trading Limited (SGX-ST) in May 2006.

The principal activities of the Company and its subsidiaries are the production, distribution and marketing of alcoholic and non-alcoholic beverages, industrial alcohol and other by-products. Details of the Company’s subsidiaries are as follows:

	Type of business	Country of incorporation	Ownership interest	
			2006	2005
(%)				
<i>Direct subsidiaries</i>				
1. Beer Thai (1991) PCL.	Beer brewery	Thailand	100.00	100.00
2. Beer Thip Brewery (1991) Co., Ltd.	Beer brewery	Thailand	100.00	100.00
3. Sangsom Co., Ltd.	Spirits distillery	Thailand	100.00	100.00
4. Fuengfuanant Co., Ltd.	Spirits distillery	Thailand	100.00	100.00
5. Mongkolsamai Co., Ltd.	Spirits distillery	Thailand	100.00	100.00
6. Thanapakdi Co., Ltd.	Spirits distillery	Thailand	100.00	100.00
7. Kanchanasingkorn Co., Ltd.	Spirits distillery	Thailand	100.00	100.00
8. Sura Bangyikhan Co., Ltd.	Spirits distillery	Thailand	100.00	100.00
9. Athimart Co., Ltd.	Spirits distillery	Thailand	100.00	100.00
10. S.S. Karnsura Co., Ltd.	Spirits distillery	Thailand	100.00	100.00
11. Kankwan Co., Ltd.	Spirits distillery	Thailand	100.00	100.00
12. Theparunothai Co., Ltd.	Spirits distillery	Thailand	100.00	100.00
13. Red Bull Distillery (1988) Co., Ltd.	Spirits distillery	Thailand	100.00	100.00
14. United Winery and Distillery Co., Ltd.	Spirits distillery	Thailand	100.00	100.00
15. Simathurakij Co., Ltd.	Spirits distillery	Thailand	100.00	100.00
16. Nateechai Co., Ltd.	Spirits distillery	Thailand	100.00	100.00
17. Luckchai Liquor Trading Co., Ltd.	Spirits distillery	Thailand	100.00	100.00
18. Sura Piset Thipparat Co., Ltd.*	Spirits distillery	Thailand	100.00	100.00
19. Thai Alcohol PCL.	Alcohol distillery	Thailand	100.00	100.00
20. Pomthip Co., Ltd.	Beer distributor	Thailand	100.00	100.00
21. Pomkit Co., Ltd.	Beer distributor	Thailand	100.00	100.00
22. Pomkung Co., Ltd.	Beer distributor	Thailand	100.00	100.00
23. Pomchok Co., Ltd.	Beer distributor	Thailand	100.00	100.00
24. Pomcharoen Co., Ltd.	Beer distributor	Thailand	100.00	100.00
25. Pomburapa Co., Ltd.	Beer distributor	Thailand	100.00	100.00
26. Num Yuk Co., Ltd.	Spirits distributor	Thailand	100.00	100.00
27. Num Kijjakarn Co., Ltd.	Spirits distributor	Thailand	100.00	100.00
28. Num Palang Co., Ltd.	Spirits distributor	Thailand	100.00	100.00
29. Num Muang Co., Ltd.	Spirits distributor	Thailand	100.00	100.00
30. Num Nakorn Co., Ltd.	Spirits distributor	Thailand	100.00	100.00
31. Num Thurakij Co., Ltd.	Spirits distributor	Thailand	100.00	100.00

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

	Type of business	Country of incorporation	Ownership interest	
			2006	2005
			(%)	
32. Thipchalothorn Co., Ltd.	Beer and sprits agency	Thailand	100.00	100.00
33. Krittayabun Co., Ltd.	Beer and sprits agency	Thailand	100.00	100.00
34. Surathip Co., Ltd.	Spirits agency	Thailand	100.00	100.00
35. Sunthronpirom Co., Ltd.	Spirits agency	Thailand	100.00	100.00
36. Piromsurang Co., Ltd.	Spirits agency	Thailand	100.00	100.00
37. Bionic Humus Co., Ltd.	Trading of fertilizer	Thailand	100.00	100.00
38. Maharas Agri Co., Ltd.	Japanese rice farming	Thailand	100.00	100.00
39. Thai Molasses Co., Ltd.	Trading of molasses	Thailand	99.72	99.72
40. Additive Food Co., Ltd.	Trading of feeds	Thailand	100.00	100.00
41. Pan International (Thailand) Co., Ltd.	Trading of equipment and supplies	Thailand	100.00	100.00
42. Charun Business 52 Co., Ltd.	Brick producer	Thailand	100.00	100.00
43. Thai Cooperage Co., Ltd.	Oak barrel producer	Thailand	100.00	100.00
44. Bang-Na Logistic Co., Ltd.	Trading of bottles	Thailand	100.00	100.00
45. Sabatipkarnkonsong Co., Ltd.	Transportation	Thailand	100.00	100.00
46. Thai Beverage Marketing Co., Ltd.	Import and export spirits for trading/ international marketing	Thailand	100.00	100.00
47. Dhanasindhi Co., Ltd.	Construction	Thailand	100.00	100.00
48. Dhospaak Co., Ltd.	Advertising agency	Thailand	100.00	100.00
49. International Beverage Holdings Ltd.	Holding company	Hong Kong	100.00	100.00
50. Cosmos Brewery (Thailand) Co., Ltd. **	Beer brewery	Thailand	100.00	100.00
51. T.C.C. Cosmo Corporation Ltd. **	Trademark holding	Thailand	100.00	100.00
52. Beer Chang Co., Ltd. **	Trademark holding and production of concentrate materials	Thailand	100.00	100.00
53. Archa Beer Co., Ltd. **	Trademark holding and production of concentrate materials	Thailand	100.00	100.00
Indirect subsidiaries				
54. Thai Thum Distillery Co., Ltd. #	Trading of spirits	Thailand	99.90	99.90
55. Sura Piset Sahasan Co., Ltd. #	Production and distribution of spirits	Thailand	100.00	100.00
56. Sura Piset Sampan Co., Ltd. #	Production and distribution of spirits	Thailand	100.00	100.00
57. Sura Piset Phatra Lanna Co., Ltd. #	Production and distribution of spirits	Thailand	100.00	100.00
58. Muangkij Co., Ltd. #	Import of oak woods	Thailand	100.00	100.00
59. Sint Ek Panich Co., Ltd. #	Mining	Thailand	100.00	100.00
60. Pan Alcohol Co., Ltd. #	Production and distribution of vinegar	Thailand	100.00	100.00
61. Banglen Agriculture Co., Ltd. #	Agriculture	Thailand	100.00	100.00
62. Vitayathan Co., Ltd.	Environmental public relations	Thailand	100.00	100.00
63. InterBev (Singapore) Limited	Trading of alcoholic beverages	Singapore	100.00	100.00
64. InterBev (Cambodia) Co., Ltd.	Trading of alcoholic beverages	Cambodia	100.00	-
65. InterBev Malaysia Sdn. Bhd.	Trading of alcoholic beverages	Malaysia	100.00	-
66. InterBev USA Inc.	Trading of alcoholic beverages	United States of America	100.00	-
67. Best Spirits Company Limited***	Trading of alcoholic beverages	Hong Kong	100.00	-
68. Pacific Spirits (UK) Limited***	Holding company	United Kingdom	100.00	-

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

	Type of business	Country of incorporation	Ownership interest	
			2006	2005
			(%)	
<i>Subsidiaries of indirect subsidiaries****</i>				
69. Blaimhor Limited	Production and distribution of spirits	United Kingdom	100.00	-
70. Inver House Distillers Limited	Production and distribution of spirits	United Kingdom	100.00	-
71. Blaimhor Distillers Limited	Spirits distillery	United Kingdom	100.00	-
72. Wee Beastie Limited	Trading of alcoholic beverages	United Kingdom	100.00	-
73. Speyburn-Glenlivet Distillery Company Limited #	Dormant	United Kingdom	100.00	-
74. The Knockdhu Distillery Company Limited #	Dormant	United Kingdom	100.00	-
75. The Pulteney Distillery Company Limited #	Dormant	United Kingdom	100.00	-
76. The Balblair Distillery Company Limited #	Dormant	United Kingdom	100.00	-
77. R. Carmichael & Sons Limited #	Dormant	United Kingdom	100.00	-
78. J MacArthur Junior & Company Limited #	Dormant	United Kingdom	100.00	-
79. Mason & Summers Limited #	Dormant	United Kingdom	100.00	-
80. Hankey Bannister Limited #	Dormant	United Kingdom	100.00	-
81. James Catto & Company Limited #	Dormant	United Kingdom	100.00	-
82. Glen Calder Blenders Limited #	Dormant	United Kingdom	100.00	-
83. Moffat & Towers Limited # (Formerly: Blaimhor Blender Limited)	Dormant	United Kingdom	100.00	-
<i>Associates of indirect subsidiaries*****</i>				
84. Liqueurland Limited	Off licences	United Kingdom	49.00	-
85. Inver House Polska Limited #	Spirits distillery	Poland	40.00	-
86. Inver House Distribution SA #	Spirits distillery	France	50.00	-

* These subsidiaries were changed from indirect subsidiaries to direct subsidiaries in 2006.

** These subsidiaries were transferred from ultimate controlling shareholder controlled the business to the Company in 2005.

*** These subsidiaries were transferred from ultimate controlling shareholder controlled the business to the Company in 2006.

**** Subsidiaries of Pacific Spirits (UK) Limited

***** Associates of Pacific Spirits (UK) Limited

These are currently non-trading.

Thai Beverage Public Company Limited and its Subsidiaries

Notes to the financial statements

For the years ended 31 December 2006 and 2005

2 Basis of preparation of the financial statements

The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements are prepared in accordance with Thai Accounting Standards (“TAS”) including related interpretations and guidelines promulgated by the Federation of Accounting Professions (“FAP”) and with generally accepted accounting principles in Thailand.

The financial statements are presented in Thai Baht, rounded in the notes to the financial statements to the nearest million, unless otherwise stated. They are prepared on the historical cost basis except for the following assets which are stated at fair value: land and investments in available-for-sale securities.

The preparation of financial statements in conformity with TAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

3 Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

Significant intra-group transactions between the Company and its subsidiaries are eliminated on consolidation.

Subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those companies in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group’s share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group’s share of losses exceeds its interest in an associate, the Group’s carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

Business combinations

Business combinations involving businesses under common control have been accounted for in a manner similar to a pooling of interests, whereby the assets, liabilities and contingent liabilities transferred have been accounted for at book values.

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

(b) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions.

Foreign entities

The assets and liabilities of foreign entities are translated to Thai Baht at the average foreign exchange rates ruling at the balance sheet date.

The revenues and expenses of foreign entities are translated to Thai Baht at rates approximating the average foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on translation are recognised in a separate component of equity until disposal of the investments.

(c) Derivative financial instruments

Forward exchange contracts are treated as off-balance sheet items.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

(e) Trade and other accounts receivable

Trade and other accounts receivables (including balances with related parties) are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

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

(f) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of raw material, packaging materials, work in progress and finished goods is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

(g) Investments

Investments in subsidiaries and associates

Investments in subsidiaries in the separate financial statements of the Company are accounted for using the equity method.

Investments in associates in the consolidated financial statements of the Company are accounted for using the equity method.

Investments in other equity securities

Marketable equity securities are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity. The exceptions are impairment losses, which are recognised in the statement of income.

Equity securities which are not marketable are stated at cost less impairment losses.

The fair value of financial instruments classified as available-for-sale is determined as the quoted bid price at the balance sheet date.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in the statement of income.

(h) Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for land, which is stated at its revalued amount. The revalued amount is the fair value.

Property that is being constructed or developed for future use is classified as property, plant and equipment and stated at cost until construction or development is complete.

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Leased assets

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of income.

Revalued assets

Revaluations are performed by independent professional valuers with sufficient regularity. The Group's policy requires an appraisal to be conducted every three to five years or when there are factors that might materially impact the value of the land, to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Any increase in value, on revaluation, is credited to equity under the heading "revaluation surplus" unless it offsets a previous decrease in value recognised in the statement of income in respect of the same asset. A decrease in value is recognised in the statement of income to the extent it exceeds an increase previously recognised in equity in respect of the same asset. Upon disposal of a revalued asset, any related revaluation surplus is transferred from equity to retained earnings and is not taken into account in calculating the gain or loss on disposal.

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that the future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Land improvement	5-20 years
Building and structures	5-40 years
Building improvements	5-20 years
Machinery and equipment	4-40 years
Oak barrels	10-20 years
Furniture, fixtures and office equipment	3-10 years
Vehicles	5-10 years

No depreciation is provided on freehold land and assets under construction.

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(i) Intangible assets

Goodwill

Goodwill in a business combination represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill is stated at cost less accumulated amortisation and impairment loss.

Other intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is charged to the statement of income on a straight-line and unit of production basis over the estimated useful lives of the assets. Intangible assets are amortised from the date that they are available for use. The estimated useful lives are as follows:

Trademark	10 years (straight-line method)
Computer software	3-10 years (straight-line method)
Broadcasting rights	4 years (unit of production method)
Leasehold	Lease term (straight-line method)
Goodwill	20 years (straight-line method)

(j) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in the statement of income unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

(k) Interest-bearing liabilities

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of income over the period of the borrowings on an effective interest basis.

(l) Trade and other accounts payable

Trade and other accounts payable (including balances with related parties) are stated at cost.

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(m) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Difference arising from common control transactions

Difference arising from common control transactions relates to the restructuring of businesses under the common control of the ultimate majority shareholder of the Company and arises from the difference between the cost of the combination and the carrying amounts of net identifiable assets at the date of combination (except for businesses acquired that are not under common control, net identifiable assets are measured at the fair value). The Company recognises the difference arising from common control transactions under shareholders' equity until disposal of the investment.

(o) Revenue

Revenue excludes value added taxes or other sales taxes and is arrived at after deduction of trade discounts.

Sale of goods and services rendered

Revenue is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs, or the probable return of goods. Service income is recognised as services are provided.

When the outcome of a contract for the rendering of services can be estimated reliably, contract revenue is recognised in the statement of income by reference to the stage of completion of the contract activity at the balance sheet date. When the outcome of the contract cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the statement of income by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is assessed the percentage of completion method, which is measured by the project engineer. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense in the statement of income.

Interest and dividend income

Interest income is recognised in the statement of income as it accrues. Dividend income is recognised in the statement of income on the date the Company's / the Group's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date.

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(p) Expenses

Operating leases

Payments made under operating leases are recognised in the statement of income on a straight line basis over the term of the lease. Lease incentives received are recognised in the statement of income as an integral part of the total lease payments made. Contingent rentals are charged to the statement of income in the accounting period in which they are incurred.

Finance costs

Interest expenses and similar costs are charged to the statement of income in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale. The interest component of finance lease payments is recognised in the statement of income using the effective interest rate method.

Research and development

Research and development costs, including costs of developing new drinks products and package design is expensed in the period in which it is incurred.

Other income and expenses are recognised on an accrual basis.

(q) Income tax

Income tax on the profit or loss for the year comprises current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

4 Business restructuring

The Company was formed in 2003 to combine the separate beverages businesses of the ultimate controlling shareholder group, the Siriwadhanabhakdi family, which were held as part of the operations of 89 separate companies, into a single group of companies. Of these, 65 businesses were transferred between 2003 and 2004, four businesses were transferred during 2005 and 20 businesses were transferred during 2006. Prior to the restructuring these business were under the common control of the ultimate controlling shareholder of the Company.

As the same ultimate controlling shareholder controlled the businesses and operations transferred to the Company both before and after the recent restructuring, the consolidated financial statements have been prepared on the basis of a business combination involving entities and businesses under common control. Accordingly, the transfer of businesses and operations has been accounted for in a manner similar to a pooling of interests and the assets, liabilities and contingent liabilities transferred have been accounted for at book values.

The difference between the cost of the combination and the carrying amounts of net identifiable assets at the date of combination (except for businesses acquired that were not under common control, whereby net identifiable assets were measured at their fair value) was recorded as "Difference arising from common control transactions", which is shown as a reduction in shareholders' equity.

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In preparing the consolidated financial statements, those assets, liabilities, revenues and expenses that are clearly applicable to the businesses and operations transferred are included in the consolidated financial statements and are stated at their carrying values, after adjusting for intercompany transactions and transactions with the ultimate controlling shareholder. Expenses for which the specific identification method was not practical have been allocated on a percentage of sales basis. Management believes that this is a reasonable basis of estimating what the expenses would have been on a standalone basis.

In 2005, the Group entered into four transfer transactions involving entities under common control, namely the transfer of Cosmos Brewery (Thailand) Co., Ltd., T.C.C. Cosmo Corporation Ltd., Beer Chang Co., Ltd. and Archa Beer Co., Ltd. from the ultimate controlling shareholder, who controlled the businesses and operations of the four companies transferred to the Group both before and after the transfer. Accordingly, the transfer of businesses and operations has been accounted for in a manner similar to a pooling of interests, as previously applied to similar transactions in 2003. As such, the Company has prepared the consolidated financial statements as if the transfers were completed at the beginning of the earliest period presented.

The result of the transfer was an increase in "Difference arising from common control transactions" of Baht 6,326.65 million. This represents the difference between consideration of Baht 9,646 million paid to the ultimate controlling shareholder of the Group and the carrying amounts of net identifiable assets of the four companies at the date of the transfer of Baht 3,319.35 million.

Subsequently, in 2006, a further 20 entities were transferred to the Group in transactions involving entities under common control, namely Pacific Spirits (UK) Limited (consisting of 15 subsidiaries and three associates) and Best Spirits Company Limited. The result of the transfer was an increase in "Difference arising from common control transactions" of Baht 1,162.14 million. This represents the difference between consideration of Baht 1,505.24 million paid to the ultimate controlling shareholder of the Group and the carrying amounts of net identifiable assets of the two companies at the date of the transfer of Baht 343.10 million.

During the year 2006 and 2005, prior to being transferred to the Company, certain businesses, now subsidiaries of the Company, increased their share capital in the amount of Baht 27.04 million and Baht 46.59 million, respectively. The currency translation change reserves of those subsidiaries amounted to Baht 8.54 million and Baht 17.69 million, respectively. The profits (losses) of such entities transferred prior to restructuring amounted to Baht (23.87) million and Baht 204.47 million, respectively.

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Restatement

The consolidated financial statements for the year ended 31 December 2005 have been restated as a result of 20 transactions involving entities under common control, which occurred in 2006 and were accounted for in a manner similar to a pooling of interest method. The effects of the restatement on the consolidated balance sheet as at 31 December 2005 and the consolidated statement of income for the year ended 31 December 2005 are summarised as follows:

	Balance previously reported	Consolidated 2005 Effect of the restatement <i>(in million Baht)</i>	Balance after restatement
Balance sheet			
Total assets	81,211.38	5,925.65	87,137.03
Total liabilities	49,845.35	5,577.17	55,422.52
Difference arising from common control transactions	(15,979.26)	348.47	(15,630.79)
Shareholders' equity	31,366.03	348.47	31,714.50
	Results previously reported	Effect of the restatement <i>(in million Baht)</i>	Results after restatement
Statement of income			
Net profit	10,409.37	(72.12)	10,337.25
Basic earnings per share (Baht)	0.47	-	0.47

5 Related party transactions and balances

Related parties are those parties linked to the Group and the Company by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or, where no market prices exist, at contractually agreed prices.

The pricing policies for particular types of transactions are explained further below:

	Pricing policies
Sale of finished goods	Agreed prices which approximate market prices
Purchase of raw materials	Agreed prices which approximate market prices
Purchase of services	Contractual prices
Purchase and sale of property, plant and equipment	Contractual prices
Purchase and sale of investments	Contractual prices
Interest income and expense	Rate as mutually agreed by shareholders with reference interest rates quoted by domestic commercial banks