SIPEF

Annual Report 2007

Key figures

Activity

	2007	2006	2005
Total own production of consolidated companies (in tonnes)			
palm oil	*187,832*	*186,537*	*175,960*
rubber	*10,033*	*9,553*	*9,470*
tea	*6,237*	*5,494*	*5,738*
Average market price (USD/tonne)			
palm oil	*780*	*478*	*422*
rubber	*2,290*	*2,101*	*1,502*
tea	*2,036*	*1,872*	*1,647*

Results (in KUSD)

	2007	2006	2005
Turnover	*209,489*	*163,687*	*147,717*
Gross profit - before IAS41	*77,671*	*41,855*	*36,195*
Operating result - before IAS41	*62,210*	*31,003*	*23,260*
Share of the Group in the result/earnings	*48,074*	*22,100*	*13,627*
Operating cash flow (2)	*63,781*	*27,468*	*16,150*
Free cash flow (3)	*33,249*	*-4,208*	*8,153*

Balance sheet (in KUSD)

	2007	2006	2005
Operating fixed assets (4)	*230,089*	*199,060*	*180,289*
Shareholders' equity	*202,051*	*155,301*	*131,703*
Net financial debt	*8,280*	*35,214*	*24,936*
Investments in intangible and operating fixed assets (4)	*31,523*	*17,381*	*11,018*

Data per share (in USD)

	2007	2006	2005
Number of shares	*895,174*	*882,888*	*872,511*
Equity	*225.71*	*175.90*	*150.95*
Basic earnings per share	*54.32*	*25.28*	*15.73*
Operating cash flow (5)	*72.07*	*31.42*	*18.64*
Free cash flow (5)	*37.57*	*-4.81*	*9.41*

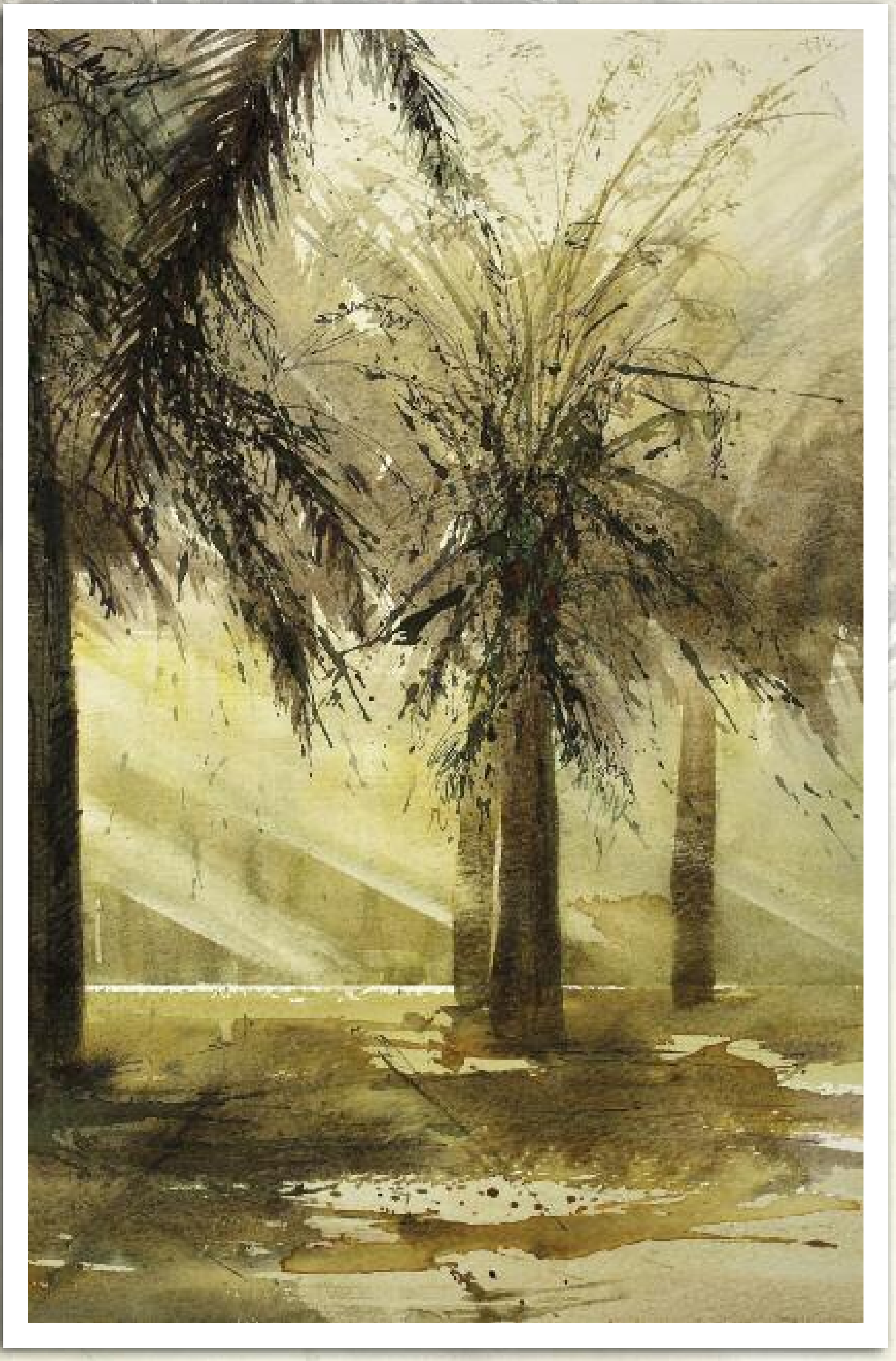
Stock exchange share price (in EUR)

	2007	2006	2005
Maximum	*398.99*	*247.10*	*173.00*
Minimum	*225.00*	*162.20*	*119.00*
Closing 31/12	*398.99*	*247.10*	*168.00*
Stock Exchange capitalization at 31/12 (in KEUR)	*357,165*	*218,162*	*146,582*

Ratio's

		2007	2006	2005
Debt ratio	Net financial debt / Equity	*4.10%*	*22.67%*	*18.93%*
P/E	Share price as per 31/12 / Earnings (1)	*10.81*	*12.87*	*12.60*

(1) Share of the Group in the result
(2) Cash flow after capital expenditure in intangible and operating fixed assets
(3) Cash flow after sale and acquisition of assets
(4) Operating fixed assets = biological assets, property, plant & equipment and investment property
(5) Denominator 2007 = weighted average number of shares issued (884,936 shares).



"Oil Palm Trees at Agro Muko"

SIPEF
SOCIETE ANONYME

Report of the Board of Directors and of the Statutory Auditor

to be submitted at the 89th Ordinary General Meeting to be held on 11th June 2008

Financial Year 2007

Financial calendar and addresses

The periodical and occasional information relating to the Company and to the Group are communicated as follows:

- the results of the first semester will be published on 28 August, 2008 before opening hours of the stock exchange and the results of the financial year on 26 February, 2009. Together with these figures you will find the comments on the activities of the Group.
- the production figures of the Group are communicated per trimester.
- in accordance with the legal regulations all important data that could influence in one way or another the results of the Company and of the Group will be subject to a separate press release.

The next Annual Meeting of Shareholders will be held on 10 June, 2009 at 15.00 hrs.

Responsible for the financial information

François Van Hoydonck
Johan Nelis
Phone 32 3 641 97 00
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Register Legal Persons Antwerpen
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www.sipef.com

Contents

Key events affecting the *SIPEF* Group in 2007

January/December

Further expansion of oil palm (3,296 ha) and rubber (89 ha) in Indonesia and Papua New Guinea.

Operating results, before IAS41, more than double to USD 62.21 million, mainly due to higher palm oil prices and an effective cost control.

Net result, share of the Group before IAS41, at USD 41.3 million increased by 106.4%.

Substantial increase in shareholders' equity and significant net financial debt reduction (from USD 35.2 million to USD 8.3 million).

Presentation currency is the USD.

June

Distribution of a gross dividend of EUR 4.

November

Acquisition of 95% of the shares in *PT Citra Sawit Mandiri*.

Capital increase by the exercise of outstanding warrants.

History

Société Internationale de Plantations et de Finance was incorporated in 1919 with the principal aims of promoting and managing plantation companies which would operate in both tropical and sub-tropical areas. At that time the company had two "agencies", one operating in Kuala Lumpur, Malaysia, the other in Medan, Indonesia.

In the course of the years the Company has developed into an agro-industrial group with processing and shipping facilities in Asia and Oceania, Africa and South America, where it manages important plantations. In addition *SA SIPEF NV* provides management, marketing and consultancy services in the agro-industry.

A programme of diversification was started in the 1970's when, in addition to the traditional crops of rubber, oil palm and tea, other crops such as bananas, pineapples, ornamental plants, guava and pepper were introduced. These products are marketed by the Group worldwide. Currently the estates extend to some 66,000 planted hectares.

An insurance business, originating from our involvement in commodities and their shipping, has been extended and now includes a wide range of insurance services. Investments in real estate have been made in the past in Belgium and the United States of America, but this activity has been phased out.

In the last decade *SIPEF* is fully concentrating again on the agro-industry with the production of palm oil, rubber, tea and exotic fruit in Indonesia, Papua New Guinea, Vietnam and Ivory Coast.

Principal Activities

SA SIPEF NV is a Belgian agro-industrial company quoted on the Brussels Euronext Stock Exchange.

The company mainly holds majority stakes in tropical plantation businesses, which it manages and operates.

The Group is geographically diversified and produces various commodities, principally palm oil.

Its investments are largely long-term ventures in developing countries.

Corporate Policies

Management

SA SIPEF NV aims to play a decisive role in the management of the companies in which it holds a majority stake or which it controls with other partners. This involves playing an active part on the boards of directors of these subsidiaries, as well as supervising the management and operations of the companies concerned. *SA SIPEF NV* aims at transferring its agricultural and management experience to the local managers.

Customers

Every effort is made to meet the needs of our customers so that goods and services of the very best quality are delivered to them on time.

Employees

In order to improve the quality of management of our plantations a particular effort is made to pass on agronomic expertise and management know-how to the nationals.

Training manuals set out the Group's agricultural, engineering and general policies and how they should be attained; training sessions ensure their implementation.

We seek to make sure that all employees work in a safe and healthy environment.

Environment

The Group recognizes that, in addition to its statutory and commercial obligations, it has a responsibility to the communities and environment in which it operates.

The Group is committed to safeguarding the environment by maintaining sound and sustainable agricultural policies. These include a "zero-burn" policy, integrated pest management, the treatment of effluent and the utilization of biomass.

This year a separate chapter of the annual report is dedicated to sustainable agriculture and the attention we pay to its application.

Directors, Auditors and Management

Board of Directors

Baron BRACHT	Chairman
François VAN HOYDONCK	Managing Director
Baron BERTRAND	Director
Priscilla BRACHT	Director
Jacques DELEN	Director
Antoine FRILING	Director
Baron de GERLACHE de GOMERY	Director
Regnier HAEGELSTEEN	Director
Richard ROBINOW	Director

Statutory Auditor

DELOITTE Bedrijfsrevisoren BV o.v.v.e. CVBA represented by	Auditors

Philip MAEYAERT

Management

François VAN HOYDONCK	Managing Director
Didier CRUYSMANS	Manager Africa and South America
Bertrand de DECKER	Manager Asia and Oceania
Thomas HILDENBRAND	Manager Marketing Fruits/Various
Johan NELIS	Chief Financial Officer
Paul NELLENS	Manager Marketing Commodities

Organisation chart

SA SIPEF NV

INDONESIA

Controlling interests	Beneficial interests	Company
95%	95%	PT TOLAN TIGA
95%	95%	PT EASTERN SUMATRA
57%	57%	PT KERASAAN
95%	95%	PT BANDAR SUMATRA
95%	95%	PT TIMBANG DELI
95%	74%	PT MELANIA
95%	74%	PT UMBUL MAS WISESA
95%	74%	PT CITRA SAWIT MANDIRI
40%	38%	PT AGRO MUKO

FAR EAST

Controlling interests	Beneficial interests	Company
100%	100%	HARGY OIL PALMS LTD
100%	100%	GALLEY REACH HOLDINGS LTD
100%	100%	SIPEF PACIFIC TIMBERS PTY LTD
100%	77%	PHU BEN TEA CY

AFRICA

Controlling interests	Beneficial interests	Company
32%	32%	SIPEF-CI SA
100%	100%	PLANTATIONS J. EGLIN SA
84%	84%	SIPEF GUINEE SA
81%	81%	C.K.E. SCARL
50%	50%	SOGRAKIN SCARL

INSURANCE

Controlling interests	Beneficial interests	Company
50%	50%	ASCO NV
50%	50%	B.D.M. NV
50%	50%	BRUNS TEN BRINK BV
20%	20%	ASCO LEVEN NV

AMERICA

Controlling interests	Beneficial interests	Company
100%	100%	FRANKLIN FALLS TIMBER CY, INC
97%	97%	SENOR LTD
70%	70%	BONAL SA
100%	100%	SIPEFLOR

EUROPE

Controlling interests	Beneficial interests	Company
77%	77%	JABELMALUX SA
87%	87%	AGRIDUS NV

Controlling interests

Beneficial interests

Chairman's Message

It is my pleasure to present you the annual report and the consolidated accounts of the Group and those of the Parent Company for 2007.

For the majority of the commodity producers of this world the year 2007 was exceptional thanks to the strong price improvements. For *SA SIPEF NV* this has also been the case for palm oil, rubber and, at the end of the year for tea. Like these last few years China and India have been the reference buyers for these various products. The rarity of commodities like wheat and corn have changed fundamentally the price levels and important modifications have therefore occurred in agriculture, favouring other products to the detriment of oil seeds products plantings.

In the whole agricultural complex, demand for biofuels has without any doubt contributed to the price rise and we are of the opinion that the actual levels will probably be maintained during many more months.

Palm oil prices in January 2007 were USD 600 per tonne CIF Rotterdam. They were at USD 1,000 at the end of the year and reached a level of USD 1,270 at the end of February. This situation of exceptionally high prices encouraged us to sell forward a reasonable tonnage of our own productions of 2009, 2010 and even 2011 for a small percentage. These sales will allow us to cover an important part of our expansion cost in Asia.

Rubber prices have equally been satisfactory and the year 2007 ended with a price of USD 2.60 per kilo. This price level has allowed us to increase the newly to be planted hectarage at *Galley Reach Holdings Ltd* in Papua New Guinea to 300 hectares in 2008.

Tea prices have also progressed these last months following the severe drought and serious political troubles in Kenya. Prices today for the prime grades of Cibuni are sold for more than USD 2.30 per kilo and we believe that the upward trend will continue. In Vietnam we shall produce for the first time green teas which are appreciated by the Chinese market.

Hargy Oil Palms Ltd in Papua New Guinea has been suffering from very high rainfalls since the beginning of December 2007 with, as a consequence a reduction in crop and an increase of the fatty acid content of the oil. This should be a temporary situation.

A substantial effort has been done in view of obtaining "sustainability" certificates for our plantations and a part of those of the smallholders. In a few months time *Hargy Oil Palms Ltd* should then be amongst the first companies to be awarded such certification.

Our subsidiary *SIPEF-CI SA* in the Ivory Coast ended its book year with a positive result following an important decrease in labour employed, drastic cost reductions and improved selling prices. The debt towards *SA SIPEF NV*, accumulating over the last few years, has also been reduced. A replanting program has been planned for our three operation sites.

Our management team in Indonesia is working actively to obtain our long term land leases for our new areas like *PT Umbul Mas Wisesa*. As already announced in the press, adjacent areas will be acquired to bring this new plantation group up to 20,000 hectares. At Group level, an important effort on planting has been engaged in Indonesia and Papua New Guinea and some 5,000 hectares should be planted in 2008.

The marketing of bananas has been facing difficulties following the new EEC regulations in 2007. On top of this, freight costs increased substantially. We have now organized containerized transport for our bananas to palliate to this problem. Due to a shortage of bananas in Europe today, figures should improve during this book year.

The "Insurance " group *B.D.M. NV / Asco NV*, specialized in transport and industrial risk insurance, has suffered from an increasing competition from the international markets. The insurance company *Asco NV* has not sustained important losses and closes the book year as expected.

In Januray 2008 we have been able to finalize the sale of our last building in the United States at favourable conditions. The realized capital gain exceeds USD 3,000,000 .

I would like to end these few words by thanking the management, staff and personnel for their daily commitment and their contribution to the development and the smooth functioning of our agricultural activities.

27th February 2008

Baron Bracht
Chairman

Annual Report of the Board of Directors

To the General Annual Meeting of 11 June 2008.

Dear Shareholders,

It is our privilege to report to you on the operations of our company during the past financial year and to submit, for your approval, the statutory and consolidated annual accounts, closed on 31 December 2007.

In accordance with article 119, last paragraph, of the Company Code, the annual reports on the statutory and consolidated accounts have been combined.

1. Statutory annual accounts

1.1. Capital and shareholding

Following the capital increase of 27 November 2007, at which the exercise of 12,286 warrants were noted, and a same number of shares were issued, the subscribed capital now amounts to EUR 34,767,740.80 and is represented by 895,174 shares, without mention of nominal value, and which are fully paid.

By the exercise of the warrants the existing stock option plans of 1999 and 2002 are fully exercised, hence are finalised.

In 2007 two transparency notices were received in accordance with the provisions of the Law of 2 March 1989.

On 12 February the Nationale Investeringsmaatschappij (NIM) NV, associated with Ackermans & van Haaren (AvH) NV and acting in concert with Baron Bracht, Cabra NV and GEDEI NV, disclosed in a subsequent notice that they hold together 30.01% of the total voting rights of *SA SIPEF NV*.

On 20 November Fortis Investment Management Belgium disclosed in a first notice that they are holding 5.09% of the total voting rights of *SA SIPEF NV*.

1.2. Activities

For an overview of the main activities of the *SIPEF* Group during the financial year 2007, please refer to the Chairman's Message (page 12).

1.3. Comments on the statutory annual accounts

1.3.1. Financial condition as per 31 December 2007
The statutory accounts of *SA SIPEF NV* have been drawn up in accordance with Belgian accounting rules.

The total assets of the company as at 31 December 2007 are KEUR 125,560, compared to KEUR 109,147 the previous year. The increase in total assets is mainly due to the investments made by *SA SIPEF NV*, financed by its shareholders' equity and via additional financial debts. The investments are in a large measure additional claims on related companies.

Shareholders' equity of *SA SIPEF NV* amounts to KEUR 56,778, before appropriation of profits, i.e. EUR 63.43 per share.

The statutory results of *SA SIPEF NV* are to the largest extend determined by dividends and capital gains/losses. Since not all the Group's participations are directly held by *SA SIPEF NV*, the Group's consolidated result is a better reflection of underlying economic developments.

The statutory result of the financial year 2007 is KEUR 7,473 compared to a loss of KEUR 1,905 the previous year.

1.3.2. Allocations of the results
The Board of Directors proposes to allocate the result (in KEUR) as follows:

Profit of the previous financial year carried forward	2,230
Profit of the financial year	7,473
Total amount for allocation	9,703
Allocation to the legal reserves	374
Dividends	7,161
Profits to be carried forward	2,168

The Board of Directors proposes to distribute a dividend of EUR 8 per share.

After withholding tax, the net dividend amounts to EUR 6 per share, or EUR 6.80 for the coupons presented together with a VVPR strip coupon.

If this proposal is approved by the Annual General Meeting, the following banks: Bank Degroof, Bank Delen, Dexia Bank, Fortis Bank, ING Bank and KBC Bank, as well as the administrative office of the company will pay as of 2 July 2008 a net dividend of either EUR 6 per share upon presentation of coupon 54, or EUR 6.80 per share upon presentation of coupon 54 with VVPR strip nr.54 attached.

1.4. Prospects

As was the case for the previous years, the results of the current financial year will to a large extent depend on the dividends distributed by the companies within the Group.

1.5. Notes

1.5.1. Key events following closing of the financial year.
Since closing of the financial year 2007, there have been no significant events that could have a material impact on the development of the company (for the Group, see page 8).

1.5.2. Additional remuneration for the auditor
We further report, in accordance with article 134, par. 2 and 4 of the Company Code, that an additional remuneration of KEUR 5 has been paid to the auditor for auditing the stock option plans and the conversion of the presentation currency and KEUR 38 to companies associated to the auditor for legal, accountancy and fiscal advice.

1.5.3. Research and development
The company has not undertaken any activities in the area of research and development.

2. Consolidated annual accounts

2.1. Risks and uncertainties

Pursuant to the Act of 13 January 2006 amending the Company Code, the annual report must contain a description of the main risks and uncertainties with which *SA SIPEF NV* and the *SIPEF* Group are confronted.

By exercising the company's activity the Group is mainly exposed to fluctuations in the market prices of the commodities, change risks, interest rate and credit risks. Derivatives are used in a smaller extend to reduce the risk linked to fluctuations of currencies and interest rates for the Group.

2.1.1. Fluctuations in the market prices of raw material

- Structural risk
The *SIPEF* Group is exposed to structural commodities price risks. The risk mainly relates to palm oil and palm kernel oil. A change of the palm oil price by USD 10 CIF per tonne has an impact of more or less USD 1 million per year on the results after tax. This risk is considered as an operating risk.

- Transactional risk
The Group is exposed to transactional risks on sold goods. The transactional risk is the risk of price fluctuation of the commodities sold to third parties between the moment at which the price is fixed with the client and the moment at which the transaction is settled. This risk is considered as an operating risk.

2.1.2. Currency risk

The exchange rate risk to which the *SIPEF* Group is exposed can be split up in three types, structural risks, transactional risks and conversion risks:

- Structural risks
As the selling prices of the Group are mainly expressed in USD, and most activities are located outside the USD-zone (Indonesia, Papua New Guinea, Vietnam, Ivory Coast and Europe) every variation of the local currency exchange rate against the USD has a considerable influence on the results of the company. The greater part of this structural risk is considered as an operating risk. Since the *SIPEF* Group is quoted in EUR and dividends are being paid in EUR, the expected dividends for the financial year are covered quarterly from USD to EUR, together with the expenses in EUR of the head office in Belgium.

- Transactional risks
The Group is also exposed to transactional risks regarding currencies, i.e. the risk of fluctuation of exchange rates between the moment of the price fixing with a client, supplier or financial institution and the moment on which the transaction is settled. With the exception of a natural cover, such risks are not covered, in view of the relatively short delay of most of the engagements and claims.

- Conversion risks
The *SIPEF* Group is an international company with subsidiaries that do not report in USD. When consolidating those results in the Group accounts, the calculated amount is subject to fluctuations of the value of the local currency against the USD. This risk is not covered.

2.1.3. Interest rate risk

The exposure of the Group to fluctuations of interest rates is linked with the obligations regarding the financial engagements of the Group. In the scope of the control of the total financing costs the Group has converted an important part of its obligations in loans at fixed interest rates.

2.1.4. Credit risk

The credit risk is the risk that one of the contracted parties does not respect his obligations resulting in a loss for the other party. The Management has developed a credit policy and the exposure to the credit risk is being followed up continuously.

2.2. Comments on the consolidated annual accounts

The consolidated accounts for the financial year 2007 of *SA SIPEF NV* were prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated total assets as at 31 December 2007 are KUSD 345,863, an increase of 22.0% compared to the total assets of KUSD 283,453 at the end of 2006. The main reason for this increase is the additional investment in biological assets and installations, financed by own funds and long term debts. The assets also show an increase in stocks, investments and cash equivalents. Short term financial obligations were rescheduled to long term financial obligations but in general net financial debt decreased from KUSD 35,215 to KUSD 8,280 at the end of 2007.

The consolidated shareholders' equity of the *SIPEF* Group, part of the Group before appropriation of profit, increased to KUSD 217,182, corresponding to USD 242.61 per share.

The consolidated result, part of the Group before IAS41, is KUSD 41,274, an increase with 106.4 % compared to KUSD 19,993 of the financial year 2006. The *SIPEF* Group owes its excellent results to the significant rising prices for palm oil and the constant good prices for rubber.

The IAS41 adjustment consists of substituting the depreciation charge in the cost of sales with the variation in the fair value of the biological assets between each year end less planting costs and associated deferred tax charge. The variation biological asset gain of USD 24.26 million arises mainly from the expansion of our oil palm areas in Indonesia and PNG and increases in the long term averages of palm oil and rubber prices used in the calculation of fair value. Considering the planting costs and deferred taxes, the net impact of IAS41, share of the Group, amounted to USD 6.80 million, up USD 4.69 million on last year.

2.3. Key events after the financial year's closing

After the closing of the financial year 2007 the Group has sold via its subsidiary *Franklin Falls Timber Cy, Inc* the last building Cherry Ridge Office Park, for a gross sales price of USD 8.1 million. After payment of the sales costs and American taxes on capital gains, a net cash balance of more than USD 5 million will remain, which shall be used for further expansion in the core business of the Group. The net capital gain shall raise the non recurrent result by more than USD 3 million.

2.4. Research and development

SA SIPEF NV and its consolidated participations have not been active in any research and development operations in 2007.

2.5. Financial instruments

Within the *SIPEF* Group, financial instruments are used in a restricted way for risk management. More specifically, this involves financial instruments that would mitigate the effect of an increase in interest rates.

The counterparties of these financial instruments are exclusively renowned Belgian banks with which *SA SIPEF NV* has built up a long-term relationship.

2.6. Prospects for 2008

Barring adverse weather, exchange or other factors, the Board of Directors of *SA SIPEF NV* expects for 2008 a further strengthening of the recurrent result of the Group. The palm oil and rubber prices remained high at the beginning of the new financial year and the expectations in the sector are that they will stay at these levels for several more months.

On behalf of the Board of Directors, 27 February 2008.

François Van Hoydonck Managing Director	Baron Bracht Chairman

Corporate governance

Sipef's Corporate Governance Charter
is available for downloading at the Investor Relations section of the *www.sipef.com* website.

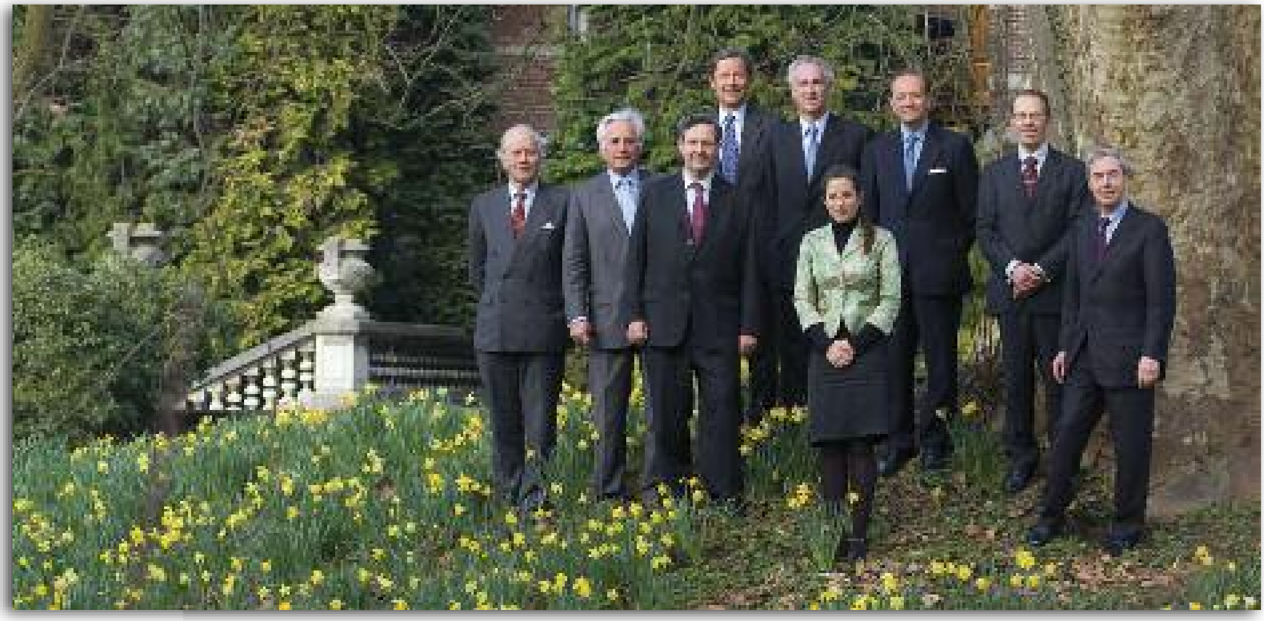
1. General information

On 23 November 2005 the Board of Directors of *SA SIPEF NV* adopted the first Corporate Governance Charter ("Charter"). The Charter was prepared in accordance with the provisions of the Belgian Corporate Governance Code ("Code"), that the Corporate Governance Committee, under the chairmanship of Count Maurice Lippens, published on 9 December 2004. This version of the Charter was already in agreement with various Royal Decrees in accordance with the European law against market abuse.

Since then, the Board of Directors updated the Charter in its meeting of 27 February 2008 in order to bring it into agreement with various royal decrees issued under implementation of the European regulations regarding market abuse. The amended Charter was published in March and can be consulted on the company's website at *www.sipef.com*.

Pursuant to the Code, *SA SIPEF NV* must include a chapter in its brochure (Corporate Governance Chapter) in which special attention is given to factual information about corporate governance, any changes that may have occurred in the corporate governance policy, and events relevant to corporate governance that occurred during the past financial year.

The Corporate Governance Chapter also includes explanations about derogations to the recommendations of the Code in accordance with the "comply or explain" principle.



From left to right.: Baron de Gerlache de Gomery, Baron Bracht, Richard Robinow, Regnier Haegelsteen, Antoine Friling, Priscilla Bracht, Baron Bertrand, François Van Hoydonck and Jacques Delen.

2. The Board of Directors

2.1. Composition

The Board of Directors is composed of nine members.

	End of term of office
Baron Bracht, Chairman	2010
François Van Hoydonck, Managing Director	2011
Baron Bertrand, Director	2008
Priscilla Bracht, Director	2010
Jacques Delen, Director	2008
Antoine Friling, Director	2011
Baron de Gerlache de Gomery, Director	2008
Regnier Haegelsteen, Director	2011
Richard Robinow, Director	2011

At the forthcoming Annual General Meeting of shareholders the terms of office of Baron Bertrand, Jacques Delen and Baron de Gerlache de Gomery will be expiring. The Board of Directors, acting as Nomination Committee, shall propose to the Annual General Meeting to renew their appointment for a further period of four years expiring at the Annual General Meeting of 2012.

At the meeting of 27 February 2008, the Board of Directors, acting as Nomination Committee, has deliberated on the opportunity to reappoint these three Directors. Their individual contribution as well as their contribution to a well-balanced composition of the Board of Directors have been deemed positive. Baron de Gerlache meets the independence regulations mentioned in article 524 of the Company Code as well as the terms mentioned in article 2.2.4 of the Charter.

2.2. Non-executive and executive Directors

Since 1 September 2007 François Van Hoydonck is Managing Director and does not represent any major shareholder. Before that date the daily management was taken care of by M.A. St.Clair-George as Managing Director and Baron Bracht as General Manager. In accordance with the age limit they ended their executive terms of office on 31 August 2007. M.A. St.Clair-George also ended his terms of office as Director but Baron Bracht continues to be member of the Board of Directors as Chairman-Director.

The other eight Directors are non-executive Directors. The non-independent Directors Baron Bracht, Priscilla Bracht and Antoine Friling represent respectively the Bracht and Friling families. Baron Bertrand and Jacques Delen represent Ackermans & van Haaren. Ackermans & van Haaren associated with National Investeringsmaatschappij, have, in concert with Baron Bracht, associated with Cabra NV and GEDEI NV, disclosed that they hold more than 30% of the shares of *SA SIPEF NV.*

Directors bearing offices outside the Group in other companies listed on the stock exchange are as follows:

Baron Bertrand: Ackermans & van Haaren, Atenor Group and Leasinvest Real Estate;

Baron de Gerlache de Gomery: Floridienne, Leasinvest Real Estate and Texaf;

Jacques Delen: Ackermans & van Haaren;

Regnier Haegelsteen: Atenor Group and Fountain;

Richard Robinow: MP Evans (UK) and REA (UK).

2.3. Independent Directors

Baron de Gerlache de Gomery, Regnier Haegelsteen and Richard Robinow act as independent Directors following article 524 of the Company Code and meet all independence criteria as stipulated in 2.2.4 of the Charter of the company.

2.4. Directors' remuneration

In July 2007, the statutory Directors' fees were distributed linked to the results of the financial year 2006.

At the Extraordinary General Meeting of 27 December 2007 it had been decided to change the articles of association in order to unlink the Directors' fees from the level of the dividends distributed to the shareholders. As a result it is decided that the Directors' fees for the financial year 2007 will be a fixed annual amount of KEUR 18 for the Chairman and KEUR 15 per Director. The Directors resigning or the newly appointed Directors shall be remunerated pro rata the duration of their term of office in the financial year. Also a fixed annual amount of KEUR 4 is paid to the members of the Audit Committee and KEUR 2 to the members of the Remuneration Committee. Since the sums of these Directors' fees bear no relation to the results, they can be equated to a fixed, non-performance related remuneration, allocated during the current year.

Since 2002 no stock option plans have been issued or allocated and all remaining warrants were exercised in 2007.

The individual remuneration of the Directors, effectively paid in 2007 as fees for 2006 and 2007 amount to:

	in KEUR
Baron Bracht, Chairman	40
M.A. St.Clair-George, Managing Director	25
François Van Hoydonck, Managing Director	5
Baron Bertrand	32
Priscilla Bracht	34
Jacques Delen	30
Antoine Friling	8
Baron de Gerlache de Gomery	34
Regnier Haegelsteen	36
Count Henry le Grelle	7
Richard Robinow	30

2.5. Activity Report

The Board of Directors of *SA SIPEF NV* met four times in 2007. The average presence rate was 94.44%. The individual presence rate was as follows:

Baron Bracht, Chairman	4/4
M.A. St.Clair-George, Managing Director	3/3
François Van Hoydonck, Managing Director	1/1
Baron Bertrand	3/4
Priscilla Bracht	4/4
Jacques Delen	4/4
Antoine Friling	2/2
Baron de Gerlache de Gomery	4/4
Regnier Haegelsteen	4/4
Count Henry le Grelle	2/2
Richard Robinow	3/4

In 2007, the Board of Directors monitored the Group's results and the development of the activities of the various participations on hands of reports prepared by the Executive Committee. The Board of Directors also took several important investment and divestment decisions in the past financial year.

At the meeting of 27 February 2008, the Board of Directors has discussed the relation between the Board of Directors and the Executive Committee, in absence of the Executive Director, and in accordance with article 2.7 of the Charter. The Directors involved expressed their general satisfaction on the transparency and the good cooperation between the two corporate bodies and made in this context some suggestions to the Executive Director.

The Directors also evaluated the size, composition and function of the Board of Directors, and paid special attention to the actual composition compared to the desired composition. It has been noticed as well that the specific skills like interpretation of financial reporting, knowledge of the sector, experience in management of a company and operation of the financial markets, are well laboured in the actual composition of the Board of Directors.

2.6. Code of Conduct regarding conflicts of interest

The Board of Directors published in the Charter (2.9 and 4.7) its policy on dealings which may give rise to a conflict of interest (within the meaning of the Company Code or otherwise). No decisions had to be made during the past financial year which gave cause to application of this policy.

2.7. Code of Conduct regarding financial transactions

The Board of Directors published its policy on the prevention of market abuse in the Charter (5.). The Board of Directors updated this policy in order to bring the existing rules of conduct in line with the Royal Decrees of 24 August 2005 and 5 March 2006, implementing Directive 2003/6/EC on inside trading and market manipulation. The updated rules of conduct were included in the second version of the Charter, which has been posted since the beginning of March 2008 on *www.sipef.com*.

3. Audit Committee

3.1. Composition

Regnier Haegelsteen – Chairman and independent and non-executive Director
Priscilla Bracht – non-executive Director
Baron de Gerlache de Gomery – independent and non-executive Director.

3.2. Activity report

The Audit Committee met four times in 2007. The average presence rate was 91.67%. Baron de Gerlache de Gomery was represented once by procuration. In March and September the Committee, in presence of the financial management and the auditor, concentrated their attention on an analysis of the annual and six-monthly financial statements respectively. The results of the proposed press release have been examined and the internal Audit Committee reports of Indonesia have been discussed, as well as the application of the so-called "one-to-one rule" to safeguard the independence of the auditor. Also the procedures for the valuation of the biological assets in accordance with IAS41 were explained and discussed. Finally at every meeting a private session was held between the Committee and the auditor, without the presence of the members of the Executive Committee.

In presence of the financial management, the Committees of June and November have, next to the reports of the internal audit Committees of Indonesia, discussed the dematerialisation of shares, as well as the new MIFID regulation, an insight of a possible necessary write-off of assets, the currency used for the presentation of the consolidated accounts of the Group and the procedures regarding financing and debt.

A representative of Ackermans & van Haaren was present at all these Committees.

4. Remuneration Committee

4.1. Composition

Baron Bertrand, Chairman and non-executive Director;
Baron Bracht, non-executive Director;
Regnier Haegelsteen, independent and non-executive Director.

As stipulated in recommendation 5. of the Code, the members of the Remuneration Committee are only non-executive Directors.

4.2. Activity report

The Remuneration Committee met twice in 2007, on 7 March and on 22 June. The average presence rate was 100%. The Remuneration Committee gave the Board of Directors its recommendations on fixed remunerations for the Board Members and the Chairman, as well as the remuneration of the Executive Committee, the amount and way of distribution of bonuses and the additional remuneration for the resigning Executive Directors.

5. Executive Committee

5.1. Composition

François Van Hoydonck, Managing Director;
Didier Cruysmans, Director Africa and South America;
Bertrand de Decker, Director Asia and Oceania;
Thomas Hildenbrand, Director Marketing Fruits/Various;
Johan Nelis, Chief Financial Officer;
Paul Nellens, Director Marketing Commodities.

Baron Bracht, Chairman of the Board of Directors, and Priscilla Bracht, non-executive Director, attended the meetings of the Executive Committee as observers.

5.2. Activity report

The Executive Committee meets every week, unless unforeseen circumstances. The Executive Committee is among other responsible for the day-to-day management of the Group and prepares the decisions which the Board of Directors is required to take.

5.3. Remuneration of the members of the Executive Committee

The members of the Executive Committee receive a fixed remuneration and a bonus linked to the recurrent consolidated result of the *SIPEF* Group. No stock option plans have been allocated since 2002, but they are attended to in the Charter. All remaining warrants were exercised in 2007. The Executive Committee members also have the benefit of a company car and group life insurance (pension scheme, death cover, disability cover), lunch cheques, worldwide assistance insurance and hospitalisation insurance. The group life insurance is of the "defined contribution" type.

The fixed and variable remuneration and other benefits which *SA SIPEF NV* and its subsidiaries directly or indirectly granted to the members of the Executive Committee in 2007 can be summarized as follows:

in KEUR	Fixed remune-ration	Bonus	Group and personal insurances
Executive Directors up to 31/8	263	275	260
Executive Director as from 1/9	66	-	63
Other members of the Executive Committee	879	206	187

5.4. Main contractual conditions

The Managing Director is subject to the social security of independents and has a contract of indefinite duration. The contract can be ended unilaterally by the Managing Director subject to 6 months notice. The company is entitled to unilaterally end the contract subject to 18 to 24 months notice, depending of the moment of termination of the contract. The term of notice can be extended by 12 months in case of termination of the contract following a change in the control of the company and the replacement of the majority of the Directors, and in case of important limitation of the essential authorities, unilaterally introduced by the company. This clause was approved, in the scope of article 556 of the Company Code, at the Extraordinary Annual Meeting of 27 December 2007.

The contracts of the other members of the Executive Committee are subject to the employee status and contain the usual provisions regarding remuneration (fixed and variable remuneration) and insurances. The contracts are of indefinite duration. Any member of the Executive Committee is entitled to end his contract unilaterally subject to 6 months notice. The company is entitled to end unilaterally the contract of any member of the Executive Committee subject to a term of notice to be fixed following the rules and usages related to the employee status.

6. Internal and external audit

The company's statutory auditor is Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Philip Maeyaert.

The statutory auditor conducts the external audit of both the consolidated and statutory figures of the *SIPEF* Group and reports to the Audit Committee and the Board of Directors twice a year.

The statutory auditor was appointed at the Ordinary General Meeting of 8 June 2005. His mandate expires in June 2008.

The Board of Directors will propose to the Ordinary General Meeting to renew the mandate of Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA for a period of 3 years.

The statutory auditor's annual fee for auditing the statutory and consolidated annual accounts of *SA SIPEF NV* is KEUR 55. The company also paid an amount of KEUR 43 for legal and taxation matters to a company associated professionally with the statutory auditor. These amounts were approved by the Audit Committee, who receives a summary of the fees at each meeting.

The total cost paid for external audit of the *SIPEF* Group was KEUR 273, and the amount paid for fees for advice from the same statutory auditor and related companies was KEUR 68.

The internal audit in Indonesia is structured in an internal audit department with a committee discussing the internal audit reports four times a year. The Audit Committee of *SA SIPEF NV* receives a summary of the work performed with a qualification and estimate of the possible impact of their findings, allowing them to form an opinion on the performance of the local audit department. In the other subsidiaries the internal audit is organized by the financial controller. As these companies are smaller the Audit Committee estimates that for the time being, no separate department needs to be established.

7. Shareholder structure

As mentioned in note 16 annexed to the consolidated accounts three shareholders have disclosed a holding of more than 5% in our Company. The Company does not have any knowledge of agreements between shareholders nor of the existence of groupings of shareholders or Directors, except for the mutual declaration of 12 February 2007, also mentioned in note 16.

At that date, the Nationale Investeringsmaatsschappij (NIM) NV, associated with Ackermans & van Haaren NV and acting in concert with Baron Bracht, Cabra NV and GEDEI NV, informed the company of the existence of a shareholders' agreement to create a stable shareholding for *SA SIPEF NV* and to encourage a balanced development and profitable growth for *SA SIPEF NV* and its subsidiaries. This shareholders' agreement is valid for a period of 15 years and includes a.o. convenants for the nomination of Directors and transfer of shares.

8. Stock option plans

During the financial year 2007 all remaining warrants issued of the stock option plans of 1999 and 2002 have been exercised, resulting in a capital increase of 12,286 shares. Both stock option plans are completed and therefore no new warrants have been issued in 2007.

9. Compliance with the Belgian Code on corporate governance – comply or explain

The Charter of *SA SIPEF NV* deviates only for a few items from the rules of the Code.

9.1. Composition of the Nomination Committee

In accordance with the recommendation 5.3.1 of Annex D of the Code, the Nomination Committee must be made up of a majority of independent non-executive Directors.

The Nomination Committee of *SA SIPEF NV* consists of all members of the Board of Directors. Since only 1/3 of the Board of Directors are independent non-executive Directors, the Charter derogates from the Code in that regard.

The Board of Directors is, however, of the opinion that the derogation is justified since its relatively limited size (nine members) does not impede efficient deliberation and decision-making and since the Board of Directors as a whole is better able to evaluate the size, composition and succession planning of the Board of Directors.

9.2. Composition of the Remuneration Committee

In accordance with the recommendation 5.4.1 of Annex E of the Code, the Remuneration Committee may only be made up of non-executive Directors. At least a majority of members of this committee must be independent.

The Remuneration Committee of *SA SIPEF NV* only consists of non-executive Directors. Since only 1/3 of the members are independent, the Charter derogates from the Code in that regard.

The Board of Directors is, however, of the opinion that the derogation is justified since the two dependent Directors represent different shareholders, an independent Director is present, and a well-balanced advice to the Board of Directors can be given.

9.3. Submission of proposals to the General Meeting

In accordance with recommendation 8.9 of the Code the minimum share percentage a shareholder is required to possess in order to submit proposals to the General Meeting may not exceed 5% of the capital.

The Board of Directors has decided not to follow this recommendation.

At the General Meeting, the shareholders of *SA SIPEF NV* are able to ask the Directors and statutory auditor questions relating to an item on the agenda.

"Cibuni Tea Garden"

Activity report by product

Palm oil and palm kernel oil

The year 2007 can probably best be described as the year of fresh records. Prices of both palm oil and laurics have shot up to unseen heights. The reasons for this strong performance are quite numerous. There was first of all the strong growth in demand in the emerging markets such as India and China. The growth in biofuels no doubt played a role but this is not so clear cut in the case of palm oil. Crude oil moved up to USD 100/barrel and this rubbed off on vegetable oils. The rise in commodity prices was also fuelled by a weak US dollar.

Prices increased steadily, moving from around USD 600 in January to ending a whisker away of USD 1,000 at the end of December. The average price for palm oil was USD 780/tonne CIF Rotterdam against USD 478 in 2006. In general the outlook remains positive for vegetable oil prices, however a word of caution needs to be issued as it cannot be ruled out that these high levels lead to a rationing of demand in a number of countries.

On the laurics side a tight supply of coprah lent strength to both coconut oil and palm kernel oil. Projections of higher coprah output in 2008 did little to prevent prices moving higher as demand remained very strong. Starting the year around USD 650 and ending it at USD 1,190, the average price for palm kernel oil in 2007 was USD 888 CIF Rotterdam compared to USD 581 in 2006.

Oil Palm extension at Navo, Hargy Oil Palms Ltd - PNG

Rubber

During 2007, in common with other commodities, natural rubber experienced another year of sharp swings and ended with substantial gains. Based on SICOM (Singapore Commodity Exchange), prices between the start and end of 2007 rose by 31.5% for RSS3 and by 35.64% for TSR20. There were of course fluctuations, after a very sharp rise during the first quarter and a pull back towards the middle of the year, prices resumed a steady upwards movement.

Once again fund managers and speculators added to the volatility of the market, perhaps even more so than before. This, combined with the continued demand from the fast developing countries, unpredictable weather patterns causing supply disruptions, a weaker dollar and higher oil prices, all helped to push natural rubber prices up to record levels.

Based on the last figures we see that up to December 2007 world natural rubber production was 9.73 million tonnes while world consumption was 9.69 million tonnes. This small excess only compensated for last years' deficit.

The average price for rubber at the Singapore Commodity Exchange was UScts 229 per kg against UScts 210 in 2006.

The outlook remains steady for the next few years as it takes time in rubber for the production to react to higher prices.

Double line terraced planting of young rubber trees

Tea

Following record crops in India, China and a bumper crop in Kenya towards the later half of 2006 the year opened with surplus stocks of tea on a global scale. This naturally resulted in depressed market sentiments and tea prices dropped sharply in all auction centres. CTC prices in particular were affected and remained lower than in the previous season. However in a surplus situation good quality teas are in greater demand. The reason for this phenomenon is that teas of a high grade are desperately needed for blending with teas of average quality. This is exactly what happened in the case of our Melania CTC teas as they have today a brand image comparable among the best in Kenya. Reliable consistent supplies from Melania helped in improving our sales.

Fortunately the year 2008 has opened on a promising note as carried forward stocks indicate a marked decline due to crop shortfalls in India, China and Sri Lanka. Also in Kenya, besides crop losses due to civil unrest, dry weather conditions continue to be affecting normal harvests. All indications are that demand will remain ahead of supplies in 2008 promising a good market.

Young tea at Cibuni - Indonesia

Fruit Marketing

Bananas

The main activity of our "Fruits" department is the banana from the Ivory Coast. The 25,472 tonnes sold in Europe are composed of 8,813 tonnes produced by "*Plantations J. Eglin SA*", 5,843 tonnes from "*Société Bananière de Motobé*" and two outside suppliers representing 10,816 tonnes. These products are exported to England, France, Spain and Poland. A large number of sales are contractual, with defined quality specifications. The fruits are prepacked in bags. We are pursuing this strategy in a fragile market tied to exchange rates fluctuations and European Union regulations which are changing continuously since the last 3 or 4 years.

Citrus Fruits

The year started with the marketing of 513 tonnes of grapefruits from Argentina and South Africa. These two origins are the most important ones and in the course of the second semester we have imported and sold 1,200 tonnes of excellent quality oranges from South Africa. Critical climatic conditions in South America as well as an important demand from the big consuming markets enabled the South African producers to obtain good results.

Dessert grapes Emerald

Grapes

Brazil lost its leadership's position on the counter-season market in Europe and is being partly replaced by other origins like Chile, Egypt and India. The seedless varieties packed in punnets are the most appreciated ones by the wholesale distribution market. We have marketed 557 tonnes of grapes during the spring and winter seasons, and 585 tonnes from Italian origin during summer and autumn.

Mangoes

Our experience in West Africa as well as our presence in Guinea enabled us to put 1,271 tonnes of Kent and Keith mangoes on the market during the first semester. An additional 100 tonnes has been added from Brazil, a new origin we market since October. Fixed price programs are being put in place with most of our customers in order to limit the risks of market fluctuations.

Thanks to the addition of new origins like Chile and Egypt, our supply program of citrus fruits, grapes and mangoes becomes complete and these seasonal fruits will be soon available all year round for our customers.

Fruits and Flowers production

Bananas

The banana market started the year with the same trend as in 2006 with an abundant supply from all origins. Fortunately we had renewed most of our commercial contracts with our traditional customers. The bad weather conditions in the Ivory Coast during the first semester resulted in reduced production volumes, and the annual estimates could not be reached. The competition from Latin-America and from Costa Rica in particular, has strongly developed its market share in Europe, and benefited from a favourable exchange rate USD/EUR which largely compensated the increased shipping costs. This has not been the case for the Ivorian producers whose production costs in FCFA are tied to the EUR.

Thanks to the signature of the Economic Partnership Agreement (APE) between Ivory Coast and the European Community last December, our bananas imported since the 1st of January 2008 are exempted from custom duties, which we had to pay on 29% of our imported volumes in 2007. At the end of the year, and with the collaboration of other exporters, we have negotiated and finalized a new freight contract with the shipping company Delmas, subsidiary of the group CMA/CGM. Starting last 20th December, the fruits are entirely loaded at the plantation in 40' reefer containers. As from 2008 the entire logistics process will enable us to reduce our costs from Abidjan to Europe in a substantial manner.

Mangoes

Likewise for our bananas from the Ivory Coast, we have obtained the Eurepgap certification for our mangoes from Guinea before the export campaign started in April. The production was of good quality and quantity and we have secured our European market thanks to a fixed price contract in England. We expect very soon to be certified TNC, Tesco Nature Choice, to consolidate the fixed sales contract on this same market.

Some packing and specific sales conditions will also be established to optimize our products. The Kent and Keith varieties are the most sought after by the market. At present, our campaign of harvesting, conditioning and export is lasting 7 weeks. We are trying to extend this period to 10 weeks by identifying new harvesting areas more north of the country.

Flowers

The pineapple flower production in the Ivory Coast continues to be of a good quality, and the increase of the air freight capacity departing from Abidjan is a guarantee for our European customers of flowers and pineapple crowns. We produced sufficient quantities of each requested size of flowers and, since the beginning of the year, we market ornamental foliage of the cordyline or dracaena type to enhance the development of flower bouquets.

In Mexico our sales remain largely under the quantity of pineapple flowers produced. We moved our pineapple flowers cultivation to another area, where management will become easier. The trade remains unfortunately difficult for the export to America as well as in the local Mexican market.

Bananas ready for harvesting, Plantations J. Eglin SA - Ivory Coast

"Fresh Fruit Bunches at Bukit Maradja"

Activity report by country

Indonesia

The improvement in commodity, agricultural products and oil prices is boosting the economic situation of Indonesia. Public finances are steadily improving and a bout of inflation is being successfully rebuffed but confidence in business and investment conditions has yet to take off. Security in the country has been improving since the last two years, but the problems encountered following the decentralization policy are still present despite promises from the Government to simplify the regulations. Political interference and involvement are even on the increase in a number of areas, like land problems on which there is regularly high pressure. The export tax on crude palm oil has been adjusted to 10% of its value to help stabilize the price of oils sold on the domestic market. At the end of 2007, the IDR was 16% weaker versus the EUR and 4.5% versus the USD.

The estates of the *Tolan Tiga* group produced 65,065 tonnes of crude palm oil, similar to last year's production. Our plantations, mills as well as the equipment have been maintained in excellent condition. In the area of environmental issues, a contract has been signed with AEVAgriverde to cover the effluent ponds at our two oil mills for the capture of the methane gas released during production with the objective to flare it. At a later stage, these gases can be used to run generator sets for the production of electricity. AEVAgriverde is taking care of the investment and operational costs of the system. The CER's (Certified Emission Reductions) obtained will be shared with *PT Tolan Tiga*.

An illegal labour strike erupted on our Perlabian plantation in January 2007. As an amicable arrangement between the labour representatives and the local management could not be concluded, the case is being processed through the court of justice since mid last year. In the meantime a negotiated agreement has been found outside the court. During the strike period, works on the plantation and in the factory continued normally and were executed by contracted labour.

Oil palm nursery at PT Umbul Mas Wisesa - Indonesia

The rubber production at *PT Timbang Deli* and *PT Bandar Sumatra* reached 2,667 tonnes, according to the estimates. This production, however, was 8% higher than last year. The quality of our young plantings is excellent and with the good planting material used, immaturity period of the replantings could be reduced to 4.5 to 5 years. Large areas were replanted 7 years ago on these plantations and the full benefit is now being gained from the very good crops together with the good rubber prices. Some squatters and village encroachments into our land lease area are a problem on these two estates for which we hope to conclude an arrangement with the local authorities.

The *PT Melania* group produced 2,752 tonnes of dry rubber which was 10% down on the estimate following another marked dry season. The oil palms also suffered particularly from last year's drought and FFB production reached only 72% of the estimated year's tonnage.

The tea crop on our Cibuni Estate in West Java didn't achieve the estimate, but produced, however, over 500 tonnes of made tea more than last year. Our investment in a new boiler beginning 2007, using alternative energy sources, now provides the heat for the withering and drying processes. This new system allowed us to reduce our processing cost by 20%. Under normal weather circumstances, thanks to this new investment and the improvement of our water turbines, this factory is now able to operate without any diesel power.

The company *PT Umbul Mas Wisesa (UMW)*, with 8,353 ha land acquired last year, has achieved its planting budget for 2007, with 2,400 ha of oil palms. The rate at which we can plant depends on how quick the land compensation can be agreed and paid to the squatters in our area. We hope however to be able to achieve our forecast to plant 2,200 ha in 2008. It is the management's intention to add other available plots of land in the area to bring the *UMW* project close to 20,000 ha.

Young oil palms at Bukit Maradja - Indonesia

Beginning 2007, a Memorandum of Understanding (MOU) was signed for the conditional purchase of the Teluk Panji area of 5,600 ha and the Gunung Tua area of 6,000 ha, both in North Sumatra. As the current owner could not fulfill the agreed conditions precedent to the effective purchase, the latter was definitively cancelled.

On the other hand, a MOU has been signed for the acquisition of two other additional areas in North Sumatra, of respectively 1,200 ha and 3,490 ha which are more conveniently located and more suitable for oil palm. Establishment of nurseries and land preparation has started early 2008.

PT Agro Muko performed well in 2007. The crops reached 64,300 tonnes of palm oil, slightly above last year's production, however well below estimates due to last year's severe drought. In order to have better access to our fields during the heavy rains, a 3 year programme for the stoning of the 850 km roads was started. The conversion of one of our boilers, to enable the use of empty bunches as energy source, is almost finished. A steam turbine, to be delivered soon, will produce the power required for our rubber factory and labour quarters in the same area. A contract for the capture of methane and flaring will be signed early 2008 with the same company as for the *Tolan Tiga* group. Some civil works on the effluent ponds have to be done before they can be covered.

We stopped buying outgrowers FFB crop since more than one year ago, following the competition from 3 newly installed oil mills in the surrounding areas. As a consequence, our Bunga Tanjung mill, whose capacity was extended from 45 to 60 tonnes per hour two years ago, is running well under its nominal capacity. We are currently negotiating the purchase of an area of 1,770 ha located very close to our mill, in order to increase our planted area and hence increase the throughput of our mill. More possible areas are being sought for further extension.

The programme for conversion of oil palms into rubber on our Sungei Betung plantation, mentioned in our report of 2006, is ongoing. 373 ha of rubber trees have been planted in 2006 and 2007. In 2008, 180 new ha are programmed.

Papua New Guinea

The economic situation of Papua New Guinea (PNG) is improving drastically thanks to the high prices for agricultural products and the booming mining industry. The PGK (PNG kina) continued to strengthen, ending the year at USD 0.36 for PGK 1, whereas it weakened versus the EUR to quote EUR 0.25 for PGK 1. In June 2007, elections were held and the former Prime Minister Arthur Somare was reelected comfortably. Priorities of the new Government are education, health and infrastructure development. The privatization programme initiated 10 years ago has been put on the backburner. The Law and Order problem in PNG remains however a concern, in the towns and their outskirts in particular. Both our *Hargy Oil Palms Ltd* and *Galley Reach Holdings Ltd* plantations are protected by police stations.

Hargy Oil Palms Ltd in West New Britain had an excellent year. Both Hargy and Navo mills produced together 78,158 tonnes of palm oil, representing an increase of 7% compared to estimates and 16% above last year. Weather conditions have been favourable in 2007. However, very high and continuous rainfall occurred towards the very end of the year and was continuing in January 2008. Delays in collecting oil palm fruits in areas with difficult access under these climatical conditions have resulted in palm oil with too high free fatty acid content and these oils were sold at a lower price.

Our expansion programme to bring our project to a total of 9,800 ha of oil palms will be completed by April 2008. Our group policy is to further expand our oil palm area and we wish to acquire new areas close to our existing operations. Several possibilities have been already selected and a closer investigation is underway.

In May 2008, a team is due to start an audit of Hargy in view to get a sustainability certification from the RSPO (Round Table for Sustainable Palm Oil) for our own plantations and for 30% of our smallholders. Preparations for this certification are underway since beginning 2007. Hargy would then be amongst the very first oil palm plantations to be RSPO certified. Since 2005, our two oil mills are certified ISO14001.

Construction works at Hargy - PNG

Galley Reach Holdings Ltd performed well too in 2007, similar to 2006. Own crop reached 2,292 tonnes of rubber, which was short by 9% on the estimated figures. However, tonnages purchased from outgrowers improved substantially to 1,562 tonnes compared to 1,364 tonnes in 2006 despite a rising buying interest from competitors. New sources of outgrowers are constantly being sought to increase our factory throughput so as to reduce further our processing unit cost. Our replanting programme continued at a rate of 150 ha per year instead of 300 ha initially planned. Labour availability in the area is very volatile partly due to the proximity of the capital Port Moresby, only at 70 km away from the plantation. Our local management initiated a rehabilitation and extension programme of the labour camps to try to maintain our labour and their families on the plantation. Our rubber factory has been running well. A new dryer has been erected in 2007 to cope more comfortably with peak crops and with possible additional outgrowers' crop in the future. *Galley Reach Holdings Ltd* has land titles for 16,429 ha out of which 3,245 ha are cultivated today.

Opportunities are being looked into to make good use of this reserve area according to the different topographic and climatic conditions.

Rubber nursery at Galley Reach Holdings Ltd - PNG

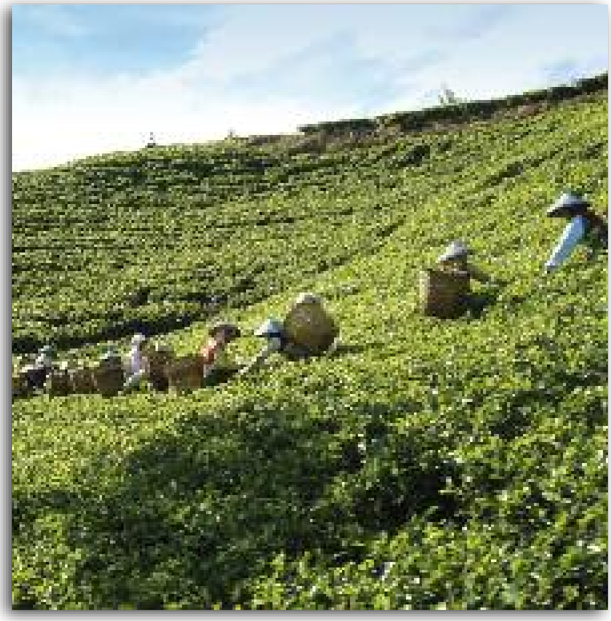
Vietnam

Our subsidiary company *Phu Ben Tea Company*, which operates three tea factories in North Vietnam, produced 4,197 tonnes of made tea, of which 3,157 tonnes from our own gardens and 1,040 tonnes from smallholders purchased leaf.

55 ha of tea were replanted in 2007 and another 15 ha are foreseen to be planted in 2008. The problem of the competing mini factories for the green leaf purchase in the area is still very present. The Government regulation stipulating that each tea factory should at least have 70 ha of own tea plantation is not controlled, hence not respected which let us to believe that the mini factories will remain and might even further expand.

Ways have to be found to improve this company's profitability. It was decided to invest in new processing facilities for the production of orthodox green tea, very much in demand by the Chinese market which border is at only a few hours distance from our company. Selling prices for such teas are well above those for black tea.

On the other side, attention is also focused on cost control. In this context, our expatriate management on site has been reduced and revised price formulas for the purchase of green leaf sought which all contribute to our overall efforts of cost reduction.



Tea pluckers - Vietnam

Ivory Coast

After a number of meetings held by the "Committee for Evaluation and Accompaniment" of the political agreement of Ouagadougou in March 2007, President Gbagbo and his prime minister, who is issued from the Guillaume Soro rebellion, came to an agreement, under the umbrella of the President of Burkina Faso, Blaise Compaore, to hold open democratic and transparent presidential elections in June 2008 at the latest. The restart of the general economic activity is finally noticeable despite an unfavourable context earmarked by the slowness of the normalization process of the social economic situation, by delays in deploying the administration and the institutions on the national territory and by delays in the process of Disarmament, Demobilization and Reinsertion (DDR).

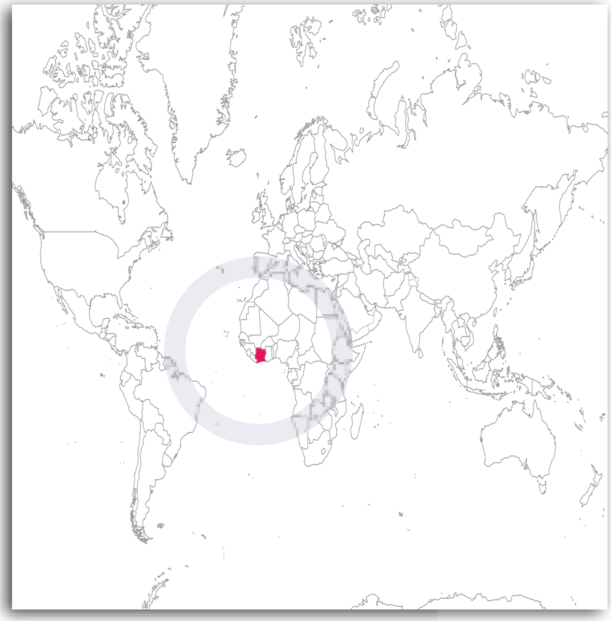
The improvement of the wholesale distribution nets for the first necessity goods enabled the sector of downstream processing of the oil palm to deploy itself in all regions of Ivory Coast. This enabled *SIPEF-CI SA* to realize 100% of its sales on the local market to its partner United Oil Company at prices in line with the international market guaranteed by the Interprofessional Association of the Oil palm sector (AIPH), after having been forced to export a considerable part of its 2005-2006 crop at a loss.

The general restructuring initiated by the local management in March 2006, combined with the firm selling prices of palm oil, has borne its fruits and enabled *SIPEF-CI SA* to enter into profits and in a balanced budget again. The own mature areas at the end of 2007 reached 7,195 ha. *SIPEF-CI SA* ensures the purchase of the fruits harvested by 4,500 smallholders covering more than 20,000 ha of village plantations which are often obsolete. The planting assets of the company are in decline and we have only 527 ha immature fields left, planted in 2004.

To correct this situation, a rehabilitation plan is under study for a replanting programme of 5,500 ha in the next 5 years, of which the whole of Okrouyo estate. Nurseries are already established to cover from 2008 some 307 ha at Bolo estate and 500 ha at Okrouyo estate.

In the course of 2007, *SIPEF-CI SA* produced 173,439 tonnes of fresh fruit bunches (FFB) out of which 56% were purchased from smallholders; the oil mills of Bolo and Soubre produced 37,743 tonnes of palm oil and 6,940 tonnes of palm kernels.

Plantation at Ottawa, SIPEF-CI SA - Ivory Coast



With the benefits from the remunerative palm oil prices, *SIPEF-CI SA* has the objective in 2008 to mobilize its cash flow to use two third of it to pay back its important cumulated debt and one third to renew its plantations and its oil mills.

The organization chart of the company has changed during 2007. New services supervised by young Ivorian staff members have been put in place which, with an easier treasury situation, should give more dynamism to all sectors of activities. At the end of December 2007 the company had 1,528 employees of which 35 staff members, 51 supervisors, 909 skilled labour and 533 daily workers.

SIPEF-CI SA owns 40% of THSP together with the company PALM-CI, subsidiary of Unilever-CI. THSP owns and runs a tank terminal at the harbour of San Pedro. This service company has a palm oil stocking capacity of 13,500 tonnes and runs 15 tanker trucks to transport the palm oil from the oil mills to the harbour of San Pedro or to Abidjan, economic capital city. THSP has moved 78,173 tonnes of palm products for account of its shareholders and constitutes a key asset for *SIPEF-CI SA*, in particular in the peak period of February to May during which more than 50% of the annual production is concentrated.

Oil palm nursery at Bolo, SIPEF-CI SA - Ivory Coast

"Terminal Huilier de San Pedro"- subsidiary at 40% of SIPEF-CI SA

Plantations J. Eglin SA continued its usual activities of banana and pineapple flowers production, sold on the European market at identical CIF sales prices as those of the preceding book year. More expensive sales charges have finally penalized our FOB sales prices, being EUR 325 per tonne as compared to EUR 363 obtained in 2006. Only after September, when the cyclone Dean had passed through the French Antilles destroying 100% of the Martinican banana crop, did demand start to grow. As the quality criterias became more severe, principally in England, we sold 1,533 tonnes in Senegal and in Mauritania. From the 10,346 tonnes produced, we exported 8,813 tonnes to Europe. The FOB prices in the neighbouring countries were 30% lower as compared to export prices hence the loss of profit was important. We have as objective to concentrate ourselves on Europe where sales charges are more competitive and where custom duties are non existent.

The 907,000 flowers sold from our horticultural sector are close to the 2006 production, however below our estimates. A good availability in sizes enabled us to improve our average sales price from EUR 427 for 1,000 units to EUR 497 for 1,000 units in 2007.

In parallel with the pineapple flower marketing, *Plantation J. Eglin SA* is selling lotus flowers which are growing spontaneously in our water reserve ponds.

In the near future, we shall certify our horticultural equipment in order to have access to the wholesale market with flowers and foliage bouquets produced on site. Investments were limited to the renewal of the planting material and to the irrigation equipment for the bananas and the soil cultivation, and totalizing KEUR 251.

Unloading of FFB at the factory of Soubre, SIPEF-CI SA - Ivory Coast

Nursery with in vitro banana plants
Plantations J. Eglin SA - Ivory Coast

Guinea

692 tons of "Kent" and "Keith" mangoes have been exported to the European market and sold at an average FOB price of EUR 0.50 per kilo. Our two main destinations were Northern Europe and England where we obtained good prices.

Our production costs and our quality remained perfectly under controll thanks to our technical experience acquired these last years.

Packing of mangoes - Sipef Guinée SA

America

Franklin Falls Timber Cy, Inc

Thanks to improvements on the main areas of Cherry Ridge Office Park, the last building owned in San Antonio Texas, a further increase of the rental income could be realized and *Franklin Falls Timber Cy, Inc* closes the 2007 book year with a slight positive result.

The building has been offered for sale during the financial year and we received several interesting bids. Due to the difficult financial markets in the USA, resulting in reduced banking facilities, the potential buyers had great difficulties in financing the acquisition.

Therefore the sale was only concluded early 2008 for a gross sales price of USD 8.1 million. After deduction of sales expenses and capital gains tax in the USA, more than USD 5 million will remain as net cash contribution to the *SIPEF* Group. The impact on the results of 2008 will be more than USD 3 million.

By this sale all the remaining assets in the USA have been disposed off and the company will be liquidated in the course of 2008.

Brazil

The popularity of President Inacio Lula da Silva, who started his second four years mandate, is being maintained for a great part thanks to the economic performance of his government. Despite a disappointing growth, the controlled inflation and the improved minimum wages have increased the standard of living of the poorest layer of the population, and the continuation of the "Borsa Familia" saved a good number of Brazilians who had more and more problems to satisfy their daily needs. The success of his social economic growth will depend of the President's capacity, despite continuous corruption scandals, to maintain its government coalition united, in order to ensure that reforms are passed by the Congress.

The Brazilian real stayed firm during the whole year, and closed 2007 at BRL 1.75 for USD 1.

In the frame of the decisions taken in 2006 to search actively for a buyer for our Brazilian activities, the local management is doing their utmost to sell the outstanding assets at the best possible conditions. The shelf company *Bonal SA*, holding reimbursable debts duly registered with the National Bank of Brazil, as well as recoverable tax losses, is still waiting for an interested party.

Our Fazenda *Senor Ltda* Ourinhos, located in Para, the most deprived province, remained during the whole year a prey for the squatters of the movement MST (Movimento dos Trabalhadores Rurais Sem Terra) who create a permanent threat for our plantation labour and agricultural activities along the border of our property. In the face of this exceptional situation, we have initiated a legal expropriation procedure with the federal agency in charge to promote the agrarian reform and colonization (INCRA). This procedure could be followed by a sale of the property. The file has become completely politicized at this stage and it would be very difficult to draw back. In view of the complicated legal aspect of the operation and the unstable situation on the site, we think that this case may take many months to be finalized.

Under these difficult circumstances Ourinhos produced and sold 300 tonnes of guava and 200 tonnes of pepper and our plantation of *Senor Ltda* Cajuapara 500 tonnes of wet rubber.

Europe

Jabelmalux SA

Our subsidiary company *Jabelmalux SA* acquired 95% of the shares of *PT Citra Sawit Mandiri (CSM)*, owner of 3,490 ha of land suitable for oil palm in North Sumatra. Same as for the shares of *PT Umbul Mas Wisesa* acquired in 2006, the shares of *CSM* will be transferred to *SA SIPEF NV* once this will be allowed by the Indonesian relevant regulations. Comments about the other subsidiaries, namely *Phu Ben Tea Company* and *PT Melania*, can be found in our "Report by country".

The result of *Jabelmalux SA* in 2007 includes an exceptional income of KEUR 1,720 representing the outstanding debt of the company towards *Jabelmalux SA* shareholders following the capital reduction of 2002. The debt's validity came to maturity in November 2007 and has become void by prescription.

Insurance

Asco NV / B.D.M. NV

Market

In the past year insurance markets were spared from major damages having an impact on the European activities. During the second semester the first signs of a drop on the Stock Exchange and a slowing-down of the economic growth, as well as negative information about the American lending facilities allowed to the local real estate market, set the pace for a descending financial market.

The new regulations concerning car insurance for private persons and traders as well as fire insurance created important movements in the portfolios. Better technical results extended the possibilities to allow underwriting at more competitive policies.

Activities 2007

Except of in the marine insurance sector, *Asco NV* reiterated its excellent technical results.

Several ships sunk or suffered from important damage. Reserves have been built up and in the coming years a recovery is expected in certain cases.

In the technical risks and fire activities the largest growth was in Belgium. Transport and accident activities slowed down.

In the Netherlands the technical results of the fire activities made progress contrary to transport insurance. Certain types of risks had to be put to an end.

Asco NV
As the number of damages decreased, total reserves were reduced by 1.5% and reached KUSD 27,297. The own reserves increased by 8.9% up to KUSD 13,025. The net reserves amounted to 145% of the cashed premium. The investment income reached a net amount of KUSD 2,872.

The company also obtained an approval for car insurance. *Asco Life NV*, in which this subsidiary has a direct interest of 40%, realized an important net increase in new premiums in sector 23 of KUSD 26,340.

B.D.M. NV
As a representative of foreign insurance companies, *B.D.M. NV* is more active in transport and industrial insurance.

In the Netherlands its office realised a premium turnover of KUSD 37,081 and the total amount of premiums for Belgium and the Netherlands is KUSD 101,588. As from 1st January 2007, the Japanese activities located in Europe were taken over by the represented company Mitsui Sumitomo and a total of KUSD 9,569 was transferred to this company. Total turnover represents KUSD 36,218 premiums for the maritime sector and KUSD 65,455 premiums for the other activities.

In Belgium the transport insurance has generated KUSD 33,057 of premiums compared to KUSD 31,345 for the other sectors.

The Kyrill storm damage of January 2007 only had a moderate influence on the results of the companies. On the other hand, some claims in the maritime activity weighed on the ratios in this sector. The subsidiary in the Netherlands generated a positive result, but the maritime sector also closed with a negative result and important restructuring measures have been taken.

BDM N.V. recorded commissions and fees for an amount of KUSD 6,361. General charges were limited to 18.8% and personnel charges to 61.9% of this amount.

Prospects 2008
After satisfactory results in the industrial fire and transport sectors, we notice a growing competition leading to a decrease of the premium rates. The positive balance of the technical results leaves a margin for more competitive tariffs in certain sectors.

In the Netherlands the investments in IT will strongly reduce the administrative costs. A new department industrial insurances has been set up and the first contracts appear to be successful.

Group production (in tonnes)

Total production of consolidated companies (≠ share of the Group)

	2007			2006		
	Own	Outgrowers	Total	Own	Outgrowers	Total
Palm oil	**187,832**	**58,665**	**246,497**	**186,537**	**59,548**	**246,085**
Indonesia	**129,595**	**1,001**	**130,596**	**132,139**	**6,026**	**138,165**
Tolan Tiga Group	65,056	-	65,056	65,544	83	65,627
Agro Muko Group	64,539	1,001	65,540	66,595	5,943	72,538
Papua New Guinea	41,572	36,586	78,158	35,617	31,547	67,164
Ivory Coast	16,665	21,078	37,743	18,781	21,975	40,756
Palm kernels	**34,425**	**4,082**	**38,507**	**34,638**	**5,011**	**39,649**
Indonesia	**31,361**	**206**	**31,567**	**31,471**	**1,306**	**32,777**
Tolan Tiga Group	16,991	-	16,991	16,393	22	16,415
Agro Muko Group	14,370	206	14,576	15,078	1,284	16,362
Ivory Coast	3,064	3,876	6,940	3,167	3,705	6,872
Palm kernel oil	**3,154**	**2,676**	**5,830**	**2,636**	**2,228**	**4,864**
Papua New Guinea	3,154	2,676	5,830	2,636	2,228	4,864
Rubber	**10,033**	**1,922**	**11,955**	**9,553**	**2,535**	**12,088**
Indonesia	**7,489**	**360**	**7,849**	**6,925**	**1,172**	**8,097**
Tolan Tiga Group	5,419	-	5,419	5,072	-	5,072
Agro Muko Group	2,070	360	2,430	1,853	1,172	3,025
Papua New Guinea	2,293	1,562	3,855	2,387	1,363	3,750
Brazil	251	-	251	241	-	241
Tea	**6,237**	**1,040**	**7,277**	**5,494**	**2,134**	**7,628**
Indonesia	3,080	-	3,080	2,512	-	2,512
Vietnam	3,157	1,040	4,197	2,982	2,134	5,116
Pineapple flowers (per 1.000 units)	**1,042**	**0**	**1,042**	**897**	**0**	**897**
Ivory Coast	911	-	911	897	-	897
Mexique	131	-	131	-	-	0
Bananas	**10,456**	**0**	**10,456**	**11,159**	**0**	**11,159**
Ivory Coast	10,456	-	10,456	11,159	-	11,159
Guava	**298**	**0**	**298**	**566**	**0**	**566**
Brazil	298	-	298	566	-	566
Pepper	**62**	**0**	**62**	**62**	**0**	**62**
Brazil	62	-	62	62	-	62

Group planted area* (in hectares)

Total planted area of consolidated companies (≠ share of the Group)

	2007							2006						
	Mature	%	Immature	%	Planted	%	Total %	Mature	%	Immature	%	Planted	%	Total %
Oil palms	**41,544**	72	**16,259**	28	**57,803**	100	**80**	**40,217**	82	**9,083**	18	**49,300**	100	**78**
Indonesia	**27,833**	70	**11,934**	30	**39,767**	100	**69**	**27,631**	87	**4,103**	13	**31,734**	100	**64**
Tolan Tiga Group	12,676		1,619		14,295			12,893		1,446		14,339		
Umbul Mas Wisesa Group	50		8,150		8,200			0		0		0		
Agro Muko Group	15,107		2,165		17,272			14,738		2,657		17,395		
Papua New Guinea	6,516	66	3,320	34	9,836	100	17	6,225	63	3,619	37	9,844	100	20
Ivory Coast	7,195	88	1,005	12	8,200	100	14	6,361	82	1,361	18	7,722	100	16
Rubber	**7,974**	76	**2,473**	24	**10,447**	100	**14**	**7,878**	79	**2,096**	21	**9,974**	100	**16**
Indonesia	**4,888**	74	**1,722**	26	**6,610**	100	**63**	**4,869**	77	**1,485**	23	**6,354**	100	**64**
Tolan Tiga Group	3,062		1,349		4,411			3,043		1,297		4,340		
Agro Muko Group	1,826		373		2,199			1,826		188		2,014		
Papua New Guinea	2,535	77	751	23	3,286	100	31	2,458	80	611	20	3,069	100	31
Brazil	551	100	0	-	551	100	5	551	100	0	-	551	100	6
Tea	**3,023**	90	**345**	10	**3,368**	100	**5**	**2,983**	90	**347**	10	**3,330**	100	**5**
Indonesia	1,737	97	50	3	1,787	100	53	1,747	98	40	2	1,787	100	54
Vietnam	1,286	81	295	19	1,581	100	47	1,236	80	307	20	1,543	100	46
Pineapple flowers	**32**	43	**42**	57	**74**	100	**0**	**46**	65	**25**	35	**71**	100	**0**
Ivory Coast	32	43	42	57	74	100		46	65	25	35	71	100	
Bananas	**274**	100	**0**	0	**274**	100	**0**	**268**	100	**0**	0	**268**	100	**0**
Ivory Coast	274	100	0	-	274	100		268	100	0	-	268	100	
Guava	**158**	71	**63**	29	**221**	100	**0**	**111**	50	**110**	50	**221**	100	**0**
Brazil	158	71	63	29	221	100		111	50	110	50	221	100	
Pepper	**78**	90	**9**	10	**87**	100	**0**	**72**	82	**16**	18	**88**	100	**0**
Brazil	78	90	9	10	87	100		72	82	16	18	88	100	
Timber	**0**	0	**238**	100	**238**	100	**0**	**0**	0	**238**	100	**238**	100	**0**
Brazil	0	-	180	100	180	100		0	-	180	100	180	100	
Papua New Guinea	0	-	58	100	58	100		0	-	58	100	58	100	
Total	**53,083**	73	**19,429**	27	**72,512**	100	**100**	**51,575**	81	**11,915**	19	**63,490**	100	**100**

* = actual planted hectares + hectares in preparation

"Bandar Pinang Rubber Estate"

Sustainable Agriculture

Plantations companies are faced with the challenge of combining efficiency and profitability together with the awareness of their social and environmental responsibilities. These include poverty reduction, an environmentally sustainable development and meeting the raising needs of global consumers.

Continuous growth of the world's population and generally improving living standards put increasing demands on our planet's resources and are leading to a rapid expansion of areas suitable for agriculture, often by conversion of forest areas, thereby threatening the ecosystems and the biodiversity, and leading to social conflicts with the local communities.

As the Group views that its investments in the plantation business is for the long run, it is crucial that the productivity from the estates is sustained, thanks to an efficient management of the Group's resources as well as a respect for the well-being of the environment it operates in.

SIPEF's Board of Directors and Management are acutely aware of the need to maintain the highest level of sustainability credentials practically possible and believe that the Group's attention to these key aspects of the business is both a strength and a differentiating factor.

Land and sustainability

All land owned or held under concession by the Group is under titles issued by their respective governments specifically for the purposes of agriculture. Expansion of the planted areas is always done with the local government's authority.

Since many years *SIPEF* hasn't planted in primary forest areas. New extensions concerned mainly degraded forest areas where bigger wood species have been logged long before.

In the land clearing process, *SIPEF* for many years now applies the zero burning techniques in according with ASEAN Zero Burning Policy. The burning of undeveloped areas and palm debris in existing plantations is seen as the main cause for the seasonal regional haze in South East Asia and is a significant contributor to global CO_2 emissions. Our present practice is to stack the felled trees in the inter-rows and allow them to decay. The palms are shredded to minimize the creation of breeding sites of the Oryctes Rhinoceros beetle. This technique enhances soil fertility by replenishing organic matter and improving the soil's physical properties.

To mitigate soil erosion problems on land with rolling or hilly terrains, terrace construction is practiced. In certain areas Vetiver and Guatemala grass is planted on terrace edges to help strengthen and prevent them from collapsing during heavy tropical showers. Leguminous Cover Crops (LCC), mainly Mucuna Brachteata, are planted to cover the area with a thick carpet of foliage which fixes nitrogen in the soil, keeps it moist and cool, prevents soil erosion and the unwanted incursion of noxious weeds.

Preservation of natural environment

To encourage biodiversity and wildlife on the estates, conservation areas are retained on mostly every plantation. At *PT Agro Muko*, for example, the Group allocated a 1,800 ha area as wetland reserve and animal sanctuary. Including the, according to the Group's standards, unsuitable or implantable land which is left as a landscape object and backdrop to living areas, 13% of our total concession at *PT Agro Muko* is implantable and jungle reserve.

On other estates, hill slopes greater than 25° and riparian reserves within the concessions are guarded to preserve flora and fauna, provide wildlife corridors, ensure water quality and prevent erosion.

Operating units develop conservation tree nurseries, carrying a variety of jungle-timber tree and fruiting tree species, which are planted in housing areas and jungle fringes as a source of food for our workers, but also for monkeys, birds, etc.

Integrated Pest Management

For better pest control on the estates, the Group developed the Integrated Pest Management (IPM) system. IPM involves the integration of suitable methods of pest control that are compatible to each other in suppressing pest population below the economic injury-causing level.

Examples of eco-friendly methods to reduce pesticide usage are:

- The introduction and the breeding of the barn owl (Tyto alba) as a biological means of rat control. Rats love oil palm fruits and can cause significant damage.
- The planting of nectariferous plants like Turnera Subulata, Antigonon Leptopus, Euphorbia Heterophylla and Cassia Cobanensis as a measure of prevention and control of invasions of bagworms and nettle caterpillars. These plants encourage the proliferation of their natural enemies, which in turn bring about an ecological balance.
- The introduction of the South American gallfly (Procecidochares Connexa), a member of the fruit fly family, to reduce reproduction of the Siam weed (Chromolaena Odorata), a seriously noxious weed in oil palm estates in Indonesia and in Ivory Coast.
- Pheromone is used to trap the Oryctes Rhinoceros beetles, whose grubs are eating into the heart of the young palms.

Mucuna brachteata

Turnera subulata

Controlled chemical applications

The use of chemical fertilizers has become a costly input with the rise of crude oil prices and is also a potential source of pollution. The applications are constantly monitored and researched to achieve optimal usage.

The implementation of a weed management policy instead of indiscriminate weed control and mechanically cutting on harvesters' paths where applicable are other measures to reduce herbicide usage within *SIPEF*.

Palm oil mills

A well managed mill is virtually self sufficient in its energy requirements. The shell and the fibre of the Fresh Fruit Bunches (FFB) are used as fuel for the boilers, which provide sufficient steam for power generation.

The production process of Crude Palm Oil (CPO) by mechanical pressing of the FFB is generating two by-products: Empty Fruit Bunches (EFB) left after the fruit has been threshed out of it, and Palm Oil Mill Effluent (POME).

Empty Fruit Bunches (EFB), besides being rich in plant nutrients, also improve soil physical and chemical properties and are therefore used as fertilizer around the palms in areas with poorer growing conditions.

Palm Oil Mill Effluent (POME) is a by-product from a process in which no chemicals are added and containing only water or steam from the extraction process, but with non-toxic water-soluble components of the palm fruits and some suspended solids and fibre. POME however is acidic and has a very high Biochemical Oxygen Demand (BOD) and can therefore not be discharged into the watercourse directly.

The raw effluent is generally treated using a ponding system. The system takes 90 days retention time, but is not sensitive to environmental changes and guarantees biodegradation efficiency exceeding 95%.

With the development of a composting system in some of the mill sites in Indonesia and Papua New Guinea (PNG), the application of POME and EFB is expected to be gradually phased out in favour of more easily handled compost. The system uses the POME and the shredded EFB through a composting process in covered windrows, matures after 70 days, and is ready to be used in the nurseries or as a replacement of chemical fertilizers. Bio compost production eliminates the harmful effects of green house gas emissions.

As well as climate change and global warming has become a worldwide concern due to the uncontrolled emission of greenhouse gases, it has *SIPEF's* attention.

Compost turner

Mechanical shredding of palm trees – zero burning

To mitigate the emission of carbon dioxide and methane gases from our ponding systems, the Group has signed agreements for 2 of our palm oil mills in Sumatra to obtain certification for Carbon Emission Reductions (CERs) from the Clean Development Mechanism Board (CDM) under the Kyoto Protocol and works have started early 2008. The 2 mills in *PT Agro Muko* will follow soon after a slight modification of the ponding area. The Hargy and Navo mill in PNG will be considered thereafter to bring all our CPO mills in the Far East under the CDM certification system. The Group intends to be the pioneer of this certification system in order to create more awareness on global warming issues among communities and millers in the areas where we are operating.

Rubber and tea factories

Waste from these processes is easier to deal with than those of the palm oil mills. In the rubber factories, the solids are entirely recovered in the process and the effluent has negligible BOD at the point of discharge. A limited ponding system is guaranteeing sufficient biodegradation of the effluent.

Tea waste, if any, is returned as compost to the field.

Alternative energy sources

Alternative energy sources are considered and developed where available. Sustainable sources of clean energy enable the Group to minimize the use of expensive fossil fuels and hence not only to reduce costs but also pollution.

At our Cibuni tea estate in Java, we make since many years use of the fast flowing Cibuni River to produce hydro-electricity for our tea factory and workers' housing. A recent upgrade of the generators and expansion of the water collection points has enhanced the year round availability of this energy source. Investigation is ongoing on further expansion of hydro-power installations on estates where rivers with sufficient fall are localized.

The rubber factory in Agro Muko, together with the neighbouring workers emplacements, will as from 2008 be provided with electricity generated by a separate boiler system operating on shredded EFB and shells from the Muko Muko palm oil factory. Gensets currently running on fossil diesel in the palm oil mill and rubber factory will become idle and remain in standby positions.

The same rubber factory in Agro Muko will have its dryers running on biodiesel. Preliminary trial tests on a 50/50 blend with fossil diesel have proven to give the best

Methane gas capture

Methane gas flaring installation

results in terms of specifications and colour of the made crumb rubber. The biodiesel installation is currently under construction for operation by end of 2008.

Solar power panels are being used on the Indonesian estates for lighting-up solitary guard posts. Tests are considered on the PNG rubber estates to provide part of the electricity needs for workers' houses in more remote areas.

Subscribing to international standards

Our tea estates and factories in Indonesia and Vietnam have all achieved the ISO9001:2000 certification for quality management systems, demonstrating their ability to consistently provide products that meet customer requirements. Their aim is to enhance customer satisfaction by improvements of the system and give the assurance of conformity to applicable regulatory requirements. Also our crumb rubber factory in *PT Agro Muko* has been certified under the current standard.

SIPEF subscribes to the philosophy of Environmental Management System standard ISO14001. Under this framework, mills and estates are to implement environmental policies with third party certification. This standard is considered the international benchmark for excellence in environmental management and was already achieved in October 2005 by our subsidiary *Hargy Oil Palms Ltd* in PNG. Since then surveillance audits have been carried out. It is our intention to expand the ISO14001 certification to all our estates in Indonesia.

Hargy Oil Palms Ltd is also in the process of acquiring the OHSAS18001:1999 standard. It is a Health and Safety Management System developed to assist in the reduction and prevention of accidents and loss, equipment and time. A certification demonstrates a company's commitment to safe working conditions and continuous improvement and provides a platform for attracting lower insurance premiums. Indonesian estates will follow once achieved at *Hargy Oil Palms Ltd*.

Our tropical fruits and banana plantations in the Ivory Coast and Guinea have since July 2006 been certified under EUREPGAP/GLOBALGAP (GAP is an acronym for Good Agricultural Practices). It is a common standard of farm management created by technical representatives of several supermarket chains, with input from major suppliers, standardising rules for growers to follow. Third party auditors assess the qualifying production units. GLOBALGAP is currently the most widely implemented benchmark for excellence in growing agricultural products.

Hydraulic power station at Cibuni

Terraced planting

SIPEF's commitment to sustainable development is also reflected in our active membership to the Roundtable on Sustainable Palm Oil (RSPO). The RSPO is a coalition of industry, non governmental organizations, financial institutions, retailers and consumer product companies that have come together since 2004 to develop a structured way forward for the production and use of sustainable palm oil. The program is summarized in 39 criteria supporting the 8 principles, covering a wide range of environmental and social issues, like biodiversity, land development guidelines, sustainable economic development and respect for workers and community rights.

The Group has started the process for RSPO certification with the preparation of *Hargy Oil Palms Ltd* in PNG. Hargy has developed in 2007 a self assessment tool and has undergone a bench mark audit against these criteria with a favourable result, and is now ready for an external audit for full certification to the RSPO standards. It is *SIPEF's* intention to include part of the smallholders surrounding the Hargy and Navo estates in the certification process, and consultants and representatives of the government have assisted to increase the smallholders' awareness of the importance of said certification for their future benefit.

The RSPO certification programme requires the certification of every mill in a members' operation. With 8 mills in operation spread over 3 countries this will be a significant effort for *SIPEF*, but certification will be pursued with all necessary effort.

Corporate Social Responsibility (CSR)

Tropical agriculture is synonymous to labour intensive activities and the Group employs several thousand people worldwide. The vast majority of our workers live with their families on the estates which are communities in themselves. The Group promotes and develops their well-being by providing housing, utilities, medical services, education facilities, playgrounds, sports clubs, meeting places and places of worship. A permanent training centre was set up on one of the Indonesian estates to train our staff not only on operating issues, but more importantly on a greater awareness as per RSPO standards. As education of children is necessary for the progress of a community, *SIPEF* subsidizes the primary schools on the estate, provides financial assistance for continued schooling thereafter and awards scholarships to deserving students.

Villages, often in remote areas surrounding estates, also benefit from employment opportunities offered by the estates which are a source for increasing the welfare and economic and social well-being in the region. As long term investors, we strongly believe in good relationships with the communities where we operate and CSR

Mechanical slashing of harvesting paths

Respect for wildlife and biodiversity

stretches from providing financial assistance in building constructions and improving places of worship, schools and some administrative buildings in the remote villages.

Particularly in PNG and Ivory Coast, our estates are a centre of activity for the region and our companies provide maintenance to the local road system and the bridges to secure accessibility for the thousands of smallholders surrounding our plantations. In North Sumatra estates, our staff and workers are now made up of the second generation of the early pioneers and have better quality of life.

Recent developments on particular projects are

- Implementation of 34 "Kebun Masyarakat Desa" (KMD) in the area of Benkulu, where 15 ha plots of village oil palm schemes neighbouring the *PT Agro Muko* estates have been set up and 24 KMD are already under harvesting. The financing of the project is through a revolving fund provided by the company and the participants enjoy the net proceeds from sale of produce.
- Incorporation of 'Koperasi' on the more remote estates to finance and provide goods and services at cost to the participants, avoiding that basic requirement would not be available or would be too expensive to acquire.
- Continued support to the destroyed village in Banda Aceh after the tsunami in December 2004, with training programmes and material support organized in the school buildings provided through an earlier aid programme together with related business partners.
- Three water supply projects in PNG in partnership with Australian Aid programmes for the construction of water dams and pipelines to provide drinkable water to remote areas were started up a year ago.

Challenges ahead

In striving to be a good corporate citizen, *SIPEF* will continue to take up all challenges to ensure that the projects under its CSR and Sustainability framework are relevant and beneficial.

In the community development programmes, *SIPEF* will continue to identify and address priority community needs to establish an atmosphere of trust and confidence amongst the relevant stakeholders.

On environmental care and conservation, our main challenge will be to reduce the environmental footprints of the Group's operations in our expansion programmes and to conserve natural resources and biodiversity in the existing and future estates.

Leguminous cover crops

Preservation of riparian reserves

"Hargy Oil Palm Factory"

Consolidated financial statements

Consolidated balance sheet

at December 31, 2007

KUSD	Note	2007	2006	2005
Non-current assets		**259,272**	**219,547**	**191,970**
Intangible assets	8	**9,428**	**7,107**	**403**
Biological assets	9	**162,952**	**139,699**	**126,213**
Property, plant & equipment	10	**64,768**	**56,942**	**51,996**
Investment property	11	**2,369**	**2,419**	**2,080**
Financial assets	12	**17,315**	**10,057**	**7,787**
Investments in associates		15,920	8,737	6,612
Other investments		754	685	604
Other financial assets		641	635	571
Receivables > 1 year		**2,440**	**3,323**	**3,491**
Other receivables	13	1,469	2,061	2,266
Deferred tax assets	24	971	1,262	1,225
Current assets		**86,593**	**63,908**	**43,616**
Inventories	14	**21,300**	**17,435**	**11,933**
Trade and other receivables		**28,704**	**23,631**	**19,107**
Trade receivables		21,141	14,624	11,138
Other receivables	15	7,563	9,007	7,969
Investments		**31,453**	**17,960**	**5,543**
Other investments and deposits	20	31,453	17,960	5,543
Cash and cash equivalents	20	**3,900**	**3,540**	**3,123**
Other current assets	15	**1,236**	**1,342**	**3,910**
Total assets		**345,865**	**283,455**	**235,586**

	Note	KUSD	2007	2006	2005
Total equity			**217,183**	**168,147**	**147,784**
Shareholders' equity	16		**202,051**	**155,301**	**131,703**
Issued capital			45,819	45,161	39,976
Share premium			21,502	20,309	17,386
Reserves			147,492	104,069	75,663
Translation differences			-12,762	-14,238	-1,322
Minority interests	17		**15,132**	**12,846**	**16,081**
Non-current liabilities			**67,604**	**45,932**	**54,447**
Provisions > 1 year			**39,444**	**31,733**	**30,837**
Provisions	18		477	248	328
Deferred tax liabilities	24		38,967	31,485	30,509
Trade and other obligations > 1 year	21		**147**	**132**	**1,974**
Financial obligations > 1 year (incl. derivatives)	20		**18,597**	**4,697**	**14,346**
Pension liabilities	19		**9,416**	**9,370**	**7,290**
Current liabilities			**61,078**	**69,376**	**33,355**
Trade and other obligations < 1 year			**28,460**	**12,864**	**11,358**
Trade payables			10,160	5,078	5,699
Advances received			602	382	210
Other payables	15		13,089	6,734	4,855
Income taxes			4,609	670	594
Financial obligations < 1 year			**25,379**	**52,223**	**19,449**
Current portion of amounts payable after one year	20		9,581	11,097	7,940
Financial obligations	20		15,455	40,920	11,316
Derivatives	27		343	206	193
Other current liabilities	15		**7,239**	**4,289**	**2,548**
Total equity and liabilities			**345,865**	**283,455**	**235,586**

Consolidated income statement

KUSD	Note	2007 Before IAS41	2007 IAS41	2007 IFRS	2006 Before IAS41	2006 IAS41	2006 IFRS	2005 Before IAS41	2005 IAS41	2005 IFRS
Revenue	7	209,489		209,489	163,687		163,687	147,717		147,717
Cost of sales	7, 9	-131,818	1,906	-129,912	-121,832	1,829	-120,003	-111,522	1,641	-109,881
Gross profit	7	**77,671**	**1,906**	**79,577**	**41,855**	**1,829**	**43,684**	**36,195**	**1,641**	**37,836**
Variation biological assets	9		24,256	24,256		8,830	8,830		950	950
Planting cost (net)	9		-14,593	-14,593		-6,959	-6,959		-4,142	-4,142
Selling, general and administrative expenses		-17,053		-17,053	-14,262		-14,262	-13,595		-13,595
Other operating income/(charges)	22	1,592		1,592	3,410		3,410	660		660
Operating result		**62,210**	**11,569**	**73,779**	**31,003**	**3,700**	**34,703**	**23,260**	**-1,551**	**21,709**
Financial income		1,628		1,628	696		696	507		507
Financial charges		-2,942		-2,942	-2,427		-2,427	-2,894		-2,894
Exchange differences		1,514		1,514	-1,171		-1,171	3,445		3,445
Financial result	23	**200**	**0**	**200**	**-2,902**	**0**	**-2,902**	**1,058**	**0**	**1,058**
Profit before tax		**62,410**	**11,569**	**73,979**	**28,101**	**3,700**	**31,801**	**24,318**	**-1,551**	**22,767**
Tax expense	24, 9	-19,276	-3,703	-22,979	-7,510	-1,348	-8,858	-7,808	246	-7,562
Profit after tax		**43,134**	**7,866**	**51,000**	**20,591**	**2,352**	**22,943**	**16,510**	**-1,305**	**15,205**
Share of results of associated companies	25	**1,777**	**0**	**1,777**	**1,515**	**0**	**1,515**	**-44**	**0**	**-44**
Insurance		1,059		1,059	1,456		1,456	1,513		1,513
SIPEF-CI SA		718		718	59		59	-1,557		-1,557
Profit for the period		**44,911**	**7,866**	**52,777**	**22,106**	**2,352**	**24,458**	**16,466**	**-1,305**	**15,161**
Attributable to:										
Minority interests	17	3,638	1,065	4,703	2,113	245	2,358	2,491	-957	1,534
Equity holders of the parent		41,273	6,801	48,074	19,993	2,107	22,100	13,975	-348	13,627
USD										
Basic earnings per share	33			54.32			25.28			15.73
Diluted earnings per share	33			53.92			25.02			15.61

Consolidated cash flow statement

	Note	2007	2006	2005
	KUSD			
Operating activities				
Result before tax		**73,979**	**31,801**	**22,767**
Adjusted for:				
Depreciation	7	7,467	7,041	6,134
Movement in provisions	19	236	1,303	667
Unrealised exchange result		0	-1,491	-3,240
Changes in fair value of biological assets	9	-9,663	-1,870	3,192
Other non-cash results		-2,003	-1,713	146
Interest received - paid		1,176	1,740	2,050
Capital loss on receivables		-940	-99	741
Result on disposal of property, plant and equipment		691	290	-372
Result on disposal of financial assets		-395	0	0
Cash flow from operating activities before change in net working capital		**70,548**	**37,002**	**32,085**
Change in net working capital		2,252	-2,608	-5,208
Cash flow from operating activities after change in net working capital		**72,800**	**34,394**	**26,877**
Income taxes paid	24, 9	-9,019	-6,926	-10,727
Cash flow from operating activities after taxes		**63,781**	**27,468**	**16,150**
Investing activities				
Acquisition intangible assets	7	-2,064	-210	-1
Acquisition biological assets	7	-14,640	-7,134	-4,189
Acquisition property, plant & equipment	7	-14,724	-9,581	-6,672
Acquisition investment property	7	-95	-456	-156
Acquisition financial assets	30	-202	-14,758	-275
Dividends received from associated companies	12	276	215	210
Proceeds from sale of property, plant & equipment		522	248	3,086
Proceeds from sale of financial assets		395	0	0
Cash flow from investing activities		**-30,532**	**-31,676**	**-7,997**
Free cash flow		**33,249**	**-4,208**	**8,153**
Financing activities				
Capital increase	16	1,850	1,371	1,123
Increase/(decrease) in long-term financial borrowings	20	12,383	-7,641	-11,284
Increase/(decrease) short-term financial borrowings	20	-25,465	27,125	193
Last year's dividend paid during this bookyear		-4,651	-3,240	-3,298
Dividends paid by subsidiaries to minorities	17	-2,350	-214	-922
Interest received - paid		-1,176	-1,740	-2,050
Cash flow from financing activities		**-19,409**	**15,661**	**-16,238**
Net increase in cash and cash equivalents	20	**13,840**	**11,453**	**-8,085**
Cash and cash equivalents (opening balance)	20	21,500		
Effect of exchange rate fluctuations on cash and cash equivalents	20	13		
Cash and cash equivalents (closing balance)	20	35,353		

Consolidated statement of changes in equity

	Capital stock SA SIPEF NV	Share premium SA SIPEF NV	Retained earnings	Stock options	Translation differences	**Share-holders' equity**	Minority interests	**Total equity**
January 1, 2006 in KUSD	**39,976**	**17,386**	**75,197**	**466**	**-1,322**	**131,703**	**16,081**	**147,784**
January 1, 2006 in KEUR	**33,888**	**14,738**	**63,744**	**395**	**-1,121**	**111,644**	**13,632**	**125,276**
Result for the period			17,498			**17,498**	1,867	**19,365**
Translation differences					-9,690	**-9,690**		**-9,690**
Change in hedging reserves						**0**		**0**
	33,888	**14,738**	**81,242**	**395**	**-10,811**	**119,452**	**15,499**	**134,951**
Last year's dividend paid			-2,617			**-2,617**		**-2,617**
Issue of shares	403	683				**1,086**		**1,086**
Stock options						**0**		**0**
Others						**0**	-5,745	**-5,745**
December 31, 2006 in KEUR	**34,291**	**15,421**	**78,625**	**395**	**-10,811**	**117,921**	**9,754**	**127,675**
December 31, 2006 in KUSD	**45,161**	**20,309**	**103,549**	**520**	**-14,238**	**155,301**	**12,846**	**168,147**

KUSD								
January 1, 2007	**45,161**	**20,309**	**103,549**	**520**	**- 14,238**	**155,301**	**12,846**	**168,147**
Result for the period			48,074			**48,074**	4,703	**52,777**
Translation differences					1,476	**1,476**		**1,476**
Change in hedging reserves						**0**		**0**
	45,161	**20,309**	**151,623**	**520**	**-12,762**	**204,851**	**17,549**	**222,400**
Last year's dividend paid			-4,651			**-4,651**		**-4,651**
Issue of shares	658	1,193				**1,851**		**1,851**
Stock options						**0**		**0**
Others						**0**	-2,417	**-2,417**
December 31, 2007	**45,819**	**21,502**	**146,972**	**520**	**- 12,762**	**202,051**	**15,132**	**217,183**

Notes to the consolidated financial statements of the SIPEF Group

1. Identification

SA SIPEF NV (the 'Company') is a limited liability company ('naamloze vennootschap' / 'société anonyme') incorporated in Belgium and registered at 2000 Antwerpen, Entrepotkaai 5.

The consolidated financial statements for the year ended 31 December 2007 comprise SA SIPEF NV and its subsidiaries (together referred to as 'SIPEF' or 'the Group'). Comparative figures are for the financial years 2006 and 2005.

The consolidated financial statements were authorized for issue by the Directors at the Board Meeting of 27 February 2008 and shall be approved by the shareholders at the Annual General Meeting of 11 June 2008. A list of the Directors and the statutory auditor ('commissaris' / 'commissaire'), as well as a description of the principal activities of the Group, are included in the non-financial section of this annual report.

2. Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) which have been adopted by the European Union.

The Group did not elect for early application of the following new standards and interpretations which were issued at the date of approval of these financial statements but were not yet effective on the balance sheet date:

- IAS 1 "*Presentation of Financial Statements*" (annual periods beginning on or after 1 January 2009). This Standard replaces IAS 1 Presentation of Financial Statements (revised in 2003) and amended in 2005;
- Amendment to IAS 27 "*Consolidated and Separate Financial Statements*" (applicable for annual periods beginning on or after 1 July 2009). This Standard amends IAS 27 "*Consolidated and Separate Financial Statements*" (revised 2003);
- Amendment to IFRS 2 "*Vesting Conditions and Cancellations"* (applicable for annual periods beginning on or after 1 January 2009);
- Amendments to IAS 32 "*Financial Instruments: Presentation*" and IAS 1 "*Presentation of Financial Statements ("puttable financial instruments") and obligations arising on liquidation"* (annual periods beginning on or after 1 January 2009);
- IFRS 3 "*Business Combinations*" (applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). This Standard replaces IFRS 3 "*Business Combinations*" as issued in 2004;
- IFRS 8 "*Operating Segments*" (applicable for accounting years beginning on or after 1 January 2009);
- Amendment to IAS 23 "*Borrowing Costs*" (applicable for accounting years beginning on or after 1 January 2009);
- IFRIC 11 "IFRS 2 - *Group and Treasury share Transactions*" (applicable for accounting years beginning on or after 1 March 2007);
- IFRIC 12 "*Service Concession Arrangements*" (applicable for accounting years beginning on or after 1 January 2008);
- IFRIC 13 "*Customer Loyalty Programmes*" (applicable for accounting years beginning on or after 1 July 2008);
- IFRIC 14 "IAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction"* (applicable for accounting years beginning on or after 1 January 2008).

At this stage the Group does not expect first adoption of these standards and interpretations to have any material impact. The presentation of the segment information might be influenced by IFRS 8 "*Operating Segments*" and also the first adoption of IFRS 3 "*Business Combinations*" could have an impact on the first consolidation of future acquisitions.

3. Accounting policies

Basis of preparation

Starting in 2007 the consolidated financial statements are presented in US dollar (untill 2006 this was done in euro), rounded off to the nearest thousand (KUSD). This modification is the result of the changed policy with regard to the liquidity and debt management since the end of 2006, whereby the functional currency of the majority of the subsidiaries has been changed from the local currency to the US dollar. The comparative figures for 2006 and 2005 were converted from euro to US dollar at the following exchange rates:

1 USD = EUR	2006	2005
Balance sheet (closing rate)	0.7593	0.8477
Income statement (average rate)	0.7918	0.8078

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investments classified as available-for-sale, financial derivative instruments and biological assets.
The accounting policies have been consistently applied throughout the Group and are consistent with those used in the previous year.

Consolidation principles

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise 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 effectively commences until the date that control effectively ceases (or a date nearby).

Associates

Associates are those enterprises 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 recognized gains and losses of associates on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases (or a date nearby). When the Group’s share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Joint ventures

Joint ventures are those enterprises over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group’s proportionate share of the enterprise’s assets, liabilities, revenue and expenses, from the date that joint control commences (or a date nearby) until the date that joint control ceases.

Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealized gains arising on intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group’s interest in the enterprise against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions

In the individual Group companies, transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Financial statements of foreign operations

Functional currency: items included in financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). Starting from 2007 the consolidated financial statements are presented in USD, this is the functional currency of the majority of the Group companies. To consolidate the Group and each of its subsidiaries, the financial statements of the individual entities are translated as follows:

- Assets and liabilities at the closing rate;
- Income statements at the average exchange rate for the year;
- The components of shareholders' equity at the historical exchange rate.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, joint ventures and associated entities at the year-end exchange rate are recorded as part of the shareholders' equity under "translation differences". When a foreign entity is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing rate.

Biological assets

According to IFRS, biological activities are measured at faire value (IAS41).

As from 2006 SIPEF records its biological assets at the value according to internal valuation models (formerly on the basis of external models). These models are mainly based on the discounted cash flow method (DCF).

The main variables in these models concern:

Variable	Comment	
Currency valuation	USD	
Production volumes	Estimate based on historical data regarding the yield/ha of the concerning or comparable areas	
Selling price	Estimate based on the past 20-year average world market price:	
	Palm oil : 455 USD/tonne CIF Rotterdam	
	Rubber: 1.111 USD/tonne FOB Singapore	
Cost price	Estimate based on actual cost prices ('adjusted current year cost price')	
Planting costs	Estimated costs for the further development of immature areas are deducted	
Replacement investments	Estimated costs for required replacement investments (vehicles, houses, infrastructure...) are also deducted	
Discount rate	Future cash flows are, depending on the location of the underlying assets, discounted at following discount rates:	
	Oil palm:	16%
	Rubber:	16%-17%
	Tea:	14,5%-17%

SIPEF only recognizes a biological asset or agricultural produce when it controls the asset as a result of past events, when it is probable that future economic benefits associated with the asset will flow to SIPEF and when the fair value or cost of the asset can be measured reliably.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point of sale costs and from the change in fair value less estimated point of sale costs of a biological asset is included in net profit or loss in the period in which it arises.

Goodwill

Goodwill represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired in a business combination. Goodwill is not amortized but reviewed for impairment at least annually. For the purpose of testing goodwill for impairment, goodwill is allocated to operating companies which is the lowest level at which the goodwill is monitored for internal management purposes. Any impairment is recognized immediately in the income statement and is not subsequently reversed.

Negative goodwill represents the excess of the Group's interest in the fair value of the net identifiable assets acquired over the cost of acquisition. Negative goodwill is immediately recognized in the income statement.

Intangible assets

Intangible assets include customer lists that have been acquired by means of business combinations together with computer software, various licenses and concessions. Intangible assets are capitalized and amortized using the straight-line method over their useful life.

Property, plant and equipment

Property, plant and equipment , including investment property, are stated at cost less accumulated depreciation and any accumulated impairment losses. Borrowing costs attributable to the construction or production of qualifying assets are capitalized. Expenses for the repair of property, plant and equipment are usually charged against income when incurred.

Property held for sale, if any, is stated at the lower of amortized cost and fair value less selling charges.

Depreciation is calculated using the straight-line method based on the estimated useful lives of the related assets:

Buildings	5 to 30 years
Infrastructure	5 to 25 years
Installations and machinery	5 to 30 years
Vehicles	3 to 20 years
Office equipment and furniture	5 to 10 years
Other property, plant and equipment	2 to 20 years

Land is not depreciated.

Impairment of assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may be higher than the recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. If impairment is no longer justified in future periods due to a recovery in assets' fair value or value in use, the impairment reserve is reversed.

Financial instruments

The Group uses financial derivative instruments primarily to manage its exposure to interest rate and foreign currency risks arising from operational, financing and investment activities. No derivatives for trading purposes are held nor issued. The Group does not apply special hedge accounting under IAS 39 - "*Financial Instruments: Recognition and Measurement*". Derivatives are stated at fair value. Any gains or losses arising from changes in fair value are charged directly to net profit or loss for the period.

Inventories

Inventories are valued at the lower of cost or net realizable value.

The stock finished products including biological assets are valued by adding production cost to the fair value of the biological asset concerned.

Inventories are written down on a case-by-case basis if the estimated net realizable value declines below the carrying amount of the inventories. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. When the reason for a write-down of the inventories has ceased to exist, the write-down is reversed.

Receivables and payables

Amounts receivable and payable are measured at their nominal value, less a provision for any doubtful amounts receivable. Amounts receivable and payable in a currency other than the currency of the subsidiary are translated at the prevailing Group exchange rates on the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents include cash and deposits with an original maturity of three months or less. Negative cash balances are recorded as liabilities.

Shareholders' equity

Dividends of the parent company payable on ordinary shares are only recognized as a liability in the period in which they are declared. Costs incurred with respect to the issuance of equity instruments are recorded as a deduction in equity.

Minority interest

Minority interests include a proportion of the fair value of identifiable assets and liabilities recognized upon acquisition of a subsidiary, together with the appropriate proportion of subsequent profits and losses.
In the income statement the minority share in the company's profit or loss is separated from the consolidated result of the Group.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made.

Pensions and other post employment benefits

Group companies have various pension schemes in accordance with the local conditions and practices in the countries they operate in. The defined benefit plans are generally un-funded but fully provisioned for using the 'projected unit credit'- method. This provision represents the present value of the defined benefit obligation. The actuarial gains and losses are fully and immediately charged to the pension costs of that year.
The Group pays contributions to publicly or privately administered insurance plans. The payments are recognized as expenses as they fall due, and as such are included in operating charges.

Interest-bearing borrowings

Borrowings are initially recognized as proceeds received, net of transaction costs. Any difference between cost and redemption value is recognized in the income statement over the period of the borrowings.

Revenue recognition

Revenue is measured at the fair value of the amount received for the sale of goods and services net of value-added tax, rebates and discounts, and after eliminating sales within the Group. Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from rendering services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed. Interest income is recognized using the effective interest rate method. Dividends are recognized when the right to receive payment is established.

Cost of sales

Cost of sales includes all costs associated with harvest, transformation and transport. Purchases are recognized net of cash discounts and other supplier discounts and allowances.

Selling, general and administrative expenses

Selling, general and administrative expenses include expenses of the marketing and financial department and general management expenses.

Share based payments

The fair value of employee share based payment plans is calculated using the Black & Scholes valuation model. In accordance with IFRS 2 - "*Share-based payments*", the resulting cost is charged to the income statement over the share vesting period. Compensation expense is adjusted to reflect expected and actual levels of vesting.

When warrants are exercised, new shares are issued and equity is increased by the amount of the proceeds received: share capital is increased by the fractional amount per share with the remainder being recorded as share premium.

Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

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.

Deferred tax liabilities and assets are recognized for temporary differences between the carrying amount in the balance sheet and the tax bases of assets and liabilities and are subsequently adjusted to reflect changes in tax rates expected to be in effect when the temporary differences reverse. Deferred tax assets are included in the consolidated accounts only to the extent that their realization is probable in the foreseeable future.

4. Use of estimates

The preparation of SIPEF's consolidated financial statements in conformity with IFRS requires the Group to use estimates and make assumptions that may affect the reported amounts of assets and liabilities at the date of the balance sheets and reported amounts of revenue and expense during the reporting periods. Actual results could differ from those estimates.

The main areas in which estimates are used are:

- Post-employment benefits
- Deferred tax assets
- Provisions
- Fair value biological assets
- Impairment of assets

5. Group companies / consolidation scope

The ultimate parent of the Group, SA SIPEF NV, Antwerpen/Belgium, is the parent company of the following significant subsidiaries:

Consolidated companies (full consolidation)	Location	% of control	% of interest
PT Tolan Tiga	Medan / Indonesia	95.00	95.00
PT Eastern Sumatra	Medan / Indonesia	95.00	95.00
PT Kerasaan	Medan / Indonesia	57.00	57.00
PT Bandar Sumatra	Medan / Indonesia	95.00	95.00
PT Timbang Deli	Medan / Indonesia	95.00	95.00
PT Melania	Jakarta / Indonesia	95.00	73.53
PT Umbul Mas Wisesa	Medan / Indonesia	95.00	73.53
PT Citra Sawit Mandiri	Medan / Indonesia	95.00	73.53
Hargy Oil Palms Ltd	Bialla / Papua N.G.	100.00	100.00
Galley Reach Holdings Ltd	Port Moresby / Papua N.G.	100.00	100.00
Sipef Pacific Timbers Pty Ltd	Port Moresby / Papua N.G.	100.00	100.00
Phu Ben Tea Cy	Hanoi / Vietnam	100.00	77.40
Plantations J. Eglin SA	Azaguié / Ivory Coast	100.00	100.00
Sipef Guinée SA	Conackry / Guinea	84.04	84.04
Bonal SA	Rio Branco / Brazil	69.82	69.82
Senor Ltd	Açailandia / Brazil	97.29	97.29
Sipeflor SA	Veracruz / Mexico	100.00	100.00
Franklin Falls Timber Cy, Inc	Delaware / USA	100.00	100.00
Jabelmalux SA	Luxembourg / G.D. Luxembourg	77.40	77.40

Joint ventures (proportionate consolidation)			
PT Agro Muko	Jakarta / Indonesia	40.48	38.45

Associates (equity method)	Location	% of control	% of interest
SIPEF-CI SA	San Pedro / Ivory Coast	32.01	32.01
B.D.M. NV	Antwerpen / Belgium	50.00	50.00
Bruns ten Brink BV	Wormer / Nederland	50.00	50.00
Asco NV	Antwerpen / Belgium	50.00	50.00
Asco Life NV	Antwerpen / Belgium	20.00	20.00

Companies not included			
Agridus NV (in liquidation)	Antwerpen / Belgium	86.83	86.83
Cavalla Rubber Corporation	Monrovia / Liberia		(sold in 2007)
Horikiki Development Cy Ltd	Honiara / Solomon Islands	90.80	90.80
C.K.E. Scarl	Bandundu / Congo	81.20	81.20
Sograkin SA	Kinshasa / Congo	50.00	50.00

Early 2007 5% of PT Umbul Mas Wisesa was sold to a local shareholder.
In November 2007 Jabelmalux SA acquired a 95% participation in PT Citra Sawit Mandiri. This daughter company shall, together with PT UMW contribute to the growth of the oil palm activities on Sumatra, Indonesia.
Early 2007 the 25% minority participation in Sipef Pacific Timbers Pty Ltd was taken over from a local shareholder. Herewith the Group acquired 100% of the shares. This is a first step towards the merger of our interests in Galley Reach Holdings Ltd and Sipef Pacific Timbers Pty Ltd.
At the end of 2007 an internal restructuring was done of the participation in Asco NV. Where formerly part of the shareholding was held by B.D.M. NV, it has now been totally transferred to respectively SA SIPEF NV and Ackermans & van Haaren NV.
Inspite of the possession of the majority of voting rights, the Group has no control over the non consolidated companies because they are either in liquidation (Agridus NV) or they are established in inaccessible regions (Horikiki, CKE and Sograkin).

6. Exchange rates

As a result of a revised liquidity- and debt management as from the end of 2006 functional currency in the majority of the subsidiaries has been changed as from January 1, 2007 to US dollar.
Following subsidaries have however another functional currency:

Plantations J. Eglin SA	EUR
Sipef Guinée SA	EUR
SIPEF-CI SA	CFA
B.D.M. NV	EUR
Bruns ten Brink BV	EUR
Asco NV	EUR
Asco Life NV	EUR

The exchange rates below have been used to convert the balance sheets and the results of these entities into US dollars (this is the currency in which the Group presents its results).

	Closing rate		Average rate	
	2007	2006	2007	2006
EUR	0.6793	0.7593	0.7250	0.7918
CFA	445.62	498.10	476.36	520.00

7. Segment information

Segment reporting is based on two segment reporting formats. The primary reporting format represents business segments – palm products, rubber, tea, tropical fruits & plants and insurance – which represent the management structure of the Group.
The secondary reporting format represents the geographical locations where the Group is active. Gross profit per geographical market shows revenue minus cost of sales based on the location where the enterprise's products are produced.
Segment result is revenue minus expense that is directly attributable to the segment and the relevant portion of income and expense that can be allocated on a reasonable basis to the segment.
The result of the companies consolidated using the equity method is immediately detailed (insurance/Europe and palm products/Ivory Coast) in the income statement.

Gross profit by product

2007 KUSD	Revenue	Cost of sales	Gross profit before IAS41	IAS41	Gross profit IFRS	% of total
Palm	138,292	-74,745	63,547	1,422	64,969	81.64
Rubber	26,190	-14,936	11,254	366	11,620	14.60
Tea	11,385	-11,032	353	52	405	0.51
Tropical fruits and plants	30,567	-29,473	1,094	-13	1,081	1.36
Corporate	1,622	0	1,622	79	1,701	2.14
Others	1,433	-1,632	-199	0	-199	-0.25
Total	**209,489**	**-131,818**	**77,671**	**1,906**	**79,577**	**100.00**

2006 KUSD	Revenue	Cost of sales	Gross profit before IAS41	IAS41	Gross profit IFRS	% of total
Palm	97,337	-69,200	28,137	1,320	29,457	67.43
Rubber	24,130	-14,148	9,982	340	10,322	23.63
Tea	11,344	-10,818	526	53	579	1.33
Tropical fruits and plants	27,417	-25,954	1,463	44	1,507	3.45
Corporate	1,888	0	1,888	72	1,960	4.49
Others	1,571	-1,712	-141	0	-141	-0.32
Total	**163,687**	**-121,832**	**41,855**	**1,829**	**43,684**	**100.00**

The segment "corporate" comprises the management fees received from non group entities.
The 'others' mainly concern the margin coming from real estate investments.
Under IFRS (IAS41) depreciation on biological assets is not allowed.

Gross profit by geographical segment

2007 KUSD	Revenue	Cost of sales	Other income	Gross profit before IAS41	IAS41	Gross profit IFRS	% of total
Indonesia	107,594	-55,513	907	52,988	761	53,749	67.54
Papua New Guinea	62,435	-39,664	0	22,771	991	23,762	29.86
Vietnam	5,482	-5,437	0	45	28	73	0.09
Ivory Coast	24,090	-23,471	0	619	-13	606	0.76
Europe	0	-4	927	923	0	923	1.16
Others	8,054	-7,729	0	325	139	464	0.58
Total	**207,655**	**-131,818**	**1,834**	**77,671**	**1,906**	**79,577**	**100.00**

2006 KUSD	Revenue	Cost of sales	Other income	Gross profit before IAS41	IAS41	Gross profit IFRS	% of total
Indonesia	77,020	-47,184	839	30,675	653	31,328	71.72
Papua New Guinea	46,586	-39,031	0	7,555	978	8,533	19.53
Vietnam	6,292	-5,320	0	972	29	1,001	2.29
Ivory Coast	25,510	-24,300	0	1,210	44	1,254	2.87
Europe	37	-67	1,310	1,280	0	1,280	2.93
Others	6,093	-5,930	0	163	125	288	0.66
Total	**161,538**	**-121,832**	**2,149**	**41,855**	**1,829**	**43,684**	**100.00**

Revenue by location of the debtors

KUSD	2007	2006
Singapore	49,487	35,619
Indonesia	39,409	26,402
United Kingdom	33,906	26,427
Germany	24,544	12,428
The Netherlands	16,795	17,749
United States	9,709	10,010
Belgium	8,747	9,057
Pakistan	7,217	8,570
France	4,872	6,025
India	3,791	3,249
Spain	3,342	2,654
Ivory Coast	2,890	2,055
Others	4,780	3,442
Total	**209,489**	**163,687**

Fair value of biological assets per product and the variation per product is detailed further in the note concerning biological assets. Assets and liabilities of a segment are the assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities that can be attributed are immaterial and therefore liabilities are not attributed (liabilities mainly concern the parent company).
The section 'unallocated' mainly contains cash deposits and cash held by SA SIPEF NV of 26,269 KUSD.

Segment information by product

	2007 - KUSD						
	Palm	Rubber	Tea	TF&P	Insurance	Un-allocated	**Total**
Intangible assets						9,428	**9,428**
Biological assets	146,705	11,328	2,338	1,234		1,347	**162,952**
Property, plant & equipment	50,077	4,313	7,373	1,702		1,303	**64,768**
Investment property						2,369	**2,369**
Investments in associates	1,968				13,952	0	**15,920**
Other receivables	182					1,287	**1,469**
Inventories	9,821	1,059	2,090			8,330	**21,300**
Trade receivables	12,232	2,623	1,000	4,578		708	**21,141**
Other current assets		3		306		927	**1,236**
Unallocated						45,282	**45,282**
Total assets	**220,985**	**19,326**	**12,801**	**7,820**	**13,952**	**70,981**	**345,865**
% of total assets	63.89%	5.59%	3.70%	2.26%	4.03%	20.52%	**100.00%**
Total liabilities							**345,865**
Segment capital expenditures:							
Intangible assets						2,064	**2,064**
Biological assets	12,756	1,513	269	59		43	**14,640**
Property, plant & equipment	12,101	816	1,069	335		403	**14,724**
Investment property						95	**95**
Total investments	**24,857**	**2,329**	**1,338**	**394**	**0**	**2,605**	**31,523**
Segment depreciation:							
Intangible assets						114	**114**
Property, plant & equipment	4,028	483	820	394		357	**6,082**
Investment property						145	**145**
Inventories	1,068	37	21				**1,126**
Total depreciation	**5,096**	**520**	**841**	**394**	**0**	**616**	**7,467**

2006 - KUSD							
Palm	Rubber	Tea	TF&P	Insurance	Un-allocated	**Total**	
					7,107	**7,107**	Intangible assets
117,285	13,145	2,361	1,025		5,883	**139,699**	Biological assets
42,264	3,993	7,734	1,589		1,362	**56,942**	Property, plant & equipment
					2,419	**2,419**	Investment property
1,075				7,662	0	**8,737**	Investments in associates
450					1,611	**2,061**	Other receivables
5,624	944	2,131			8,736	**17,435**	Inventories
6,506	1,952	755	3,993		1,418	**14,624**	Trade receivables
	3		337		1,002	**1,342**	Other current assets
					33,089	**33,089**	Unallocated
173,204	**20,037**	**12,981**	**6,944**	**7,662**	**62,627**	**283,455**	**Total assets**
61.10%	7.07%	4.58%	2.45%	2.70%	22.09%	**100.00%**	% of total assets
						283,455	**Total liabilities**
							Segment capital expenditures:
					210	**210**	Intangible assets
5,466	1,326	247	75		20	**7,134**	Biological assets
7,238	984	715	297		347	**9,581**	Property, plant & equipment
					456	**456**	Investment property
12,704	**2,310**	**962**	**372**	**0**	**1,033**	**17,381**	**Total investments**
							Segment depreciation:
					48	**48**	Intangible assets
4,874	413	834	376		379	**6,876**	Property, plant & equipment
					117	**117**	Investment property
						0	Inventories
4,874	**413**	**834**	**376**	**0**	**544**	**7,041**	**Total depreciation**

Segment information - geographical

	2007 - KUSD						
	Indonesia	PNG	Vietnam	Ivory Coast	Europe	Others	**Total**
Intangible assets	8,843			4	580	1	**9,428**
Biological assets	128,376	30,641	1,354	1,234		1,347	**162,952**
Property, plant & equipment	23,444	34,616	3,643	1,611	191	1,263	**64,768**
Investment property					3	2,366	**2,369**
Investments in associates				1,968	13,952		**15,920**
Other assets	19,478	19,198	2,363	2,436	46,395	558	**90,428**
Total assets	**180,141**	**84,455**	**7,360**	**7,253**	**61,121**	**5,535**	**345,865**
% of total assets	52.08%	24.42%	2.13%	2.10%	17.67%	1.60%	**100.00%**

	Indonesia	PNG	Vietnam	Ivory Coast	Europe	Others	**Total**
Segment capital expenditures:							
Intangible assets	1,594				470		**2,064**
Biological assets	6,475	7,846	217	71		31	**14,640**
Property, plant & equipment	7,668	6,328	237	272	127	92	**14,724**
Investment property						95	**95**
Total investments	**15,737**	**14,174**	**454**	**343**	**597**	**218**	**31,523**

	Indonesia	PNG	Vietnam	Ivory Coast	Europe	Others	**Total**
Segment depreciation:							
Intangible assets	28			3	83		**114**
Property, plant & equipment	2,560	2,443	397	380	162	140	**6,082**
Investment property						145	**145**
Inventories	136	990					**1,126**
Total depreciation	**2,724**	**3,433**	**397**	**383**	**245**	**285**	**7,467**

2006 - KUSD							
Indonesia	PNG	Vietnam	Ivory Coast	Europe	Others	**Total**	
6,907			6	193	1	**7,107**	Intangible assets
108,297	27,088	1,824	1,025		1,465	**139,699**	Biological assets
18,985	31,068	3,802	1,542	226	1,319	**56,942**	Property, plant & equipment
				3	2,416	**2,419**	Investment property
			1,074	7,663		**8,737**	Investments in associates
8,100	13,998	2,286	1,867	41,675	625	**68,551**	Other assets
142,289	**72,154**	**7,912**	**5,514**	**49,760**	**5,826**	**283,455**	**Total assets**
50.20%	25.46%	2.79%	1.95%	17.55%	2.06%	**100.00%**	% of total assets

							Segment capital expenditures:
			10	200		**210**	Intangible assets
2,661	4,180	198	75		20	**7,134**	Biological assets
3,949	4,939	87	258	201	147	**9,581**	Property, plant & equipment
					456	**456**	Investment property
6,610	**9,119**	**285**	**343**	**401**	**623**	**17,381**	**Total investments**

							Segment depreciation:
29			3	16		**48**	Intangible assets
2,238	3,556	393	366	203	120	**6,876**	Property, plant & equipment
					117	**117**	Investment property
						0	Inventories
2,267	**3,556**	**393**	**369**	**219**	**237**	**7,041**	**Total depreciation**

8. Intangible assets

KUSD	Goodwill	Others	Total intangible assets
Gross carrying amount at December 31, 2006	5,650	1,787	7,437
Acquisitions		2,065	2,065
Sales and disposals	-71	-1	-72
Transfers		-2	-2
Others	-4,231	4,672	441
Translation differences		3	3
Gross carrying amount at December 31, 2007	1,348	8,524	9,872
Accumulated amortization and impairment losses at December 31, 2006	0	-330	-330
Depreciations		-114	-114
Sales and disposals		1	1
Transfers		2	2
Translation differences		-3	-3
Accumulated amortization and impairment losses at December 31, 2007	0	-444	-444
Net carrying amount December 31, 2006	5,650	1,457	7,107
Net carrying amount December 31, 2007	**1,348**	**8,080**	**9,428**

The acquisitions refer to the additionnal payments made for obtaining the landtitles of PT UMW and PT CSM.
The goodwill acquired at the acquisition of PT UMW was allocated during the year to the landtitles for an amount of KUSD 4,231. The final opening balance sheet of PT CSM shall be processed in 2008. In the meantime the difference has been allocated to other fixed assets.

9. Biological assets

The valuations, as presented in the internal valuation models based on net present values, take into account the long term exploitation of the plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the prices of the agricultural produce and the absence of a liquid market, their carrying value may differ from their realisable value.
The biological assets of SIPEF are mainly on land for which a long term concession has been obtained.
When measuring the fair value of the biological assets we assume that these concessions can and will be renewed at normal cost. Future production included in the calculation of the fair value takes into account the age of the asset and not the expiration date of the concessions.

Below is a table with the proprietary rights on which the plantations of SIPEF are established:

	Hectares	Type	Maturity	Crop
PT Tolan Tiga	8,479	Concession	2023	Oil palm
PT Eastern Sumatra	3,178	Concession	2023	Oil palm
PT Kerasaan	2,362	Concession	2023	Oil palm
PT Bandar Sumatra	1,412	Concession	2023	Rubber and oil palm
PT Timbang Deli	972	Concession	2023	Rubber and oil palm
PT Melania	5,140	Concession	2023	Rubber, tea and oil palm
PT Umbul Mas Wisesa	8,719	In negotiation	-	Oil palm
PT Citra Sawit Mandiri	3,491	In negotiation	-	Oil palm
PT Agro Muko	10,000	Concession	2019	Rubber and oil palm
PT Agro Muko	2,500	Concession	2020	Rubber and oil palm
PT Agro Muko	315	Concession	2011	Rubber and oil palm
PT Agro Muko	4,313	Concession	2028	Rubber and oil palm
PT Agro Muko	5,786	Concession	2022	Rubber and oil palm
Hargy Oil Palms Ltd	9,952	Concession	2072	Oil palm
Hargy Oil Palms Ltd	2,900	Concession	2101	Oil palm
Galley Reach Holdings Ltd	16,429	Concession	2080	Rubber
Sipef-CI SA	16,264	Concession	2095	Oil palm
Plantations J. Eglin SA	1,136	Freehold	na	Bananas and pineapple flowers
Plantations J. Eglin SA	322	Provisional concession	na	Bananas and pineapple flowers
Phu Ben Tea Cy	2,177	Concession	2035	Tea
Senor Ltd	3,608	Freehold	na	Rubber, guava and pepper
	109,455			

Movement schedule biological assets

The balance sheet movements in biological assets can be summarized as follows:

KUSD	Oil palm	Rubber	Tea	Others	Total
December 31, 2006	117,285	13,145	2,361	6,908	139,699
Variation biological assets	26,132	-1,817	-23	-36	24,256
Reclassification PT UMW	3,288			-4,418	-1,130
	146,705	**11,328**	**2,338**	**2,454**	**162,825**
Translation differences				127	127
December 31, 2007	**146,705**	**11,328**	**2,338**	**2,581**	**162,952**

The positive variation in fair value of the oil palm is mainly related to the expansion and the young plantings that provide for value creation (mainly oil palm at PT UMW). The decrease in rubber is mainly the result of the estimated future increase in cost of production. The status quo in fair value of the tea sector hides a drop in the value of Phu Ben Tea Cy (KUSD -470) and an increase in the value of PT Melania (KUSD +447).

At the time of acquisition, last year, of PT UMW it was decided to record the plantation under the section "others" as there was not sufficient tangible data. The opening balance sheet was definitively established in 2007. With it the biological assets were diminished by an amount of KUSD 4,418 to KUSD 3,288. The "others" mainly comprise the bananas and pineapple flowers in the Ivory Coast and the biological assets of our Brazilian operations.

Sensitivity variation sales price

Values as appearing in the balance sheet are very sensitive to price changes with regard to the average sales prices applied. Simulations made for oil palm, rubber and tea show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

KUSD	+ 10%	Balance 2007	- 10%
Oil palm	188,261	146,705	105,095
Rubber	16,311	11,328	6,344
Tea	8,276	2,338	-3,599
Total	**212,848**	**160,371**	**107,840**
Others		2,581	
		162,952	

The sales price for palm oil bunches, in the models approved by the Board of Directors, is the average world market price of palm oil of the last 20 years (455 USD/tonne CIF Rotterdam). The average price of palm oil for the last 10 years was 469 USD/tonne. The average price for palm oil for 2007 was 780 USD/tonne. According to the Board of Directors, current sales prices are not relevant for establishing the expected future margins and are therefore not used in the IAS41 valuation models.

Sensitivity variation discount rate

Values as appearing in the balance sheet are very sensitive to price changes with regard to the discount rate applied. Simulations made for oil palm, rubber and tea show that a rise or decrease by 1% of the estimated future selling price has the following effect on the net present value of biological assets:

KUSD	+ 1%	Balance 2007	- 1%
Oil palm	155,492	146,705	138,652
Rubber	11,990	11,328	10,717
Tea	2,581	2,338	2,121
Total	**170,063**	**160,371**	**151,490**
Others		2,581	
		162,952	

Impact of IAS41 on the income statement

According to IFRS, biological assets are measured at fair value instead of at 'depreciated cost' (IAS41). This means that the amounts paid for the replanting of existing areas or for the planting of new land are immediately charged in the income statement in the year they arise, even if these investments have an economic lifetime of at least 20 years. In addition these biological assets are not depreciated but are adjusted to fair value. Management is of the opinion that capitalising these investments and the depreciation over the economic useful life (as was the previous treatment) presents the recurring result of the Group in a better manner.
Therefore the IAS41 impact is presented in a separate column on the face of the income statement.

KUSD	Oil palm	Rubber	Tea	Others	Total 2007	2006
Depreciation	1,422	306	52	126	**1,906**	**1,829**
Variation biological assets	26,132	-1,817	-23	-36	**24,256**	**8,830**
Planting cost	-12,756	-1,513	-269	-102	**-14,640**	**-7,134**
Disposals	29	6	0	12	**47**	**175**
Operating result	**14,827**	**-3,018**	**-240**	**0**	**11,569**	**3,700**
Tax impact					**-3,703**	**-1,348**
Net impact					**7,866**	**2,352**

Impact of IAS41 on the cash flow statement

KUSD	2007	2006
Variation biological assets	-24,256	-8,830
Planting cost (included in investing activities)	14,640	7,134
Sales and disposals (included in sale of assets)	-47	-174
	-9,663	**-1,870**

10. Property, plant & equipment

KUSD	Land, buildings and infrastructure	Installations and machinery	Vehicles	Office equipment, furniture and others	In progress	Total property, plant & equipment	Investment property
Gross carrying amount at December 31, 2006	31,961	52,152	15,703	5,190	1,036	106,042	3,546
Change in consolidation scope				213		213	
Acquisitions	4,917	4,180	3,837	622	1,583	15,139	95
Sales and disposals	-197	-1,166	-840	-173	-141	-2,517	
Transfers	433	-45	13	-356	-458	-413	
Other				-43		-43	
Translation differences	562	175	139	35	1	912	
Gross carrying amount at December 31, 2007	37,676	55,296	18,852	5,488	2,021	119,333	3,641
Accumulated depreciation and impairment losses at December 31, 2006	-11,445	-23,383	-10,540	-3,732	0	-49,100	-1,127
Change in consolidation scope						0	
Depreciation	-1,127	-2,590	-2,060	-305		-6,082	-145
Sales and disposals	179	556	489	125		1,349	
Transfers						0	
Other						0	
Translation differences	-440	-142	-129	-21	0	-732	
Accumulated depreciation and impairment losses at December 31, 2007	-12,833	-25,559	-12,240	-3,933	0	-54,565	-1,272
Net carrying amount December 31, 2006	20,516	28,769	5,163	1,458	1,036	56,942	2,419
Net carrying amount December 31, 2007	**24,843**	**29,737**	**6,612**	**1,555**	**2,021**	**64,768**	**2,369**

11. Investment property

Investment property mainly represents a leased out office building in the U.S.A. and is accounted for according to the cost model (cost less any accumulated depreciation and any accumulated impairment losses).
In 2007 KUSD 945 rentals were received (against KUSD 911 last year).
On 24th January 2008, Sipef finalized the sale of Cherry Ridge Office Park, the last remaining building in San Antonio in the USA for a gross sales amount of KUSD 8,100. After settlement of the sales expenses and the capital gain tax, the net proceeds from the sale will exceed KUSD 5,000 and the impact on the 2008 results KUSD 3,000.
After the sale, no further activities are planned for Franklin Falls Timber Cy and therefore the liquidation procedure has been started. We expect a final liquidation prior to the end of 2008.

12. Financial assets

		Associated companies		Other companies			
	KUSD	Participations	Receivables	Participations	Receivables	Other receivables	Total
Gross carrying amount at December 31, 2006		8,737	3,090	7,163	11,112	29	30,131
Share of results of associated companies	Insurance	1,049					1,049
	Sipef-CI SA	718					718
Distributed dividends		-276					-276
Additions		4,345					4,345
Other increase (decrease)		10	-666			-1	-657
Other sales				-5,480			-5,480
Translation differences		1,337	318	5		2	1,662
Gross carrying amount at December 31, 2007		15,920	2,742	1,688	11,112	30	31,492
Accumulated impairment losses at December 31, 2006		0	-2,405	-6,557	-11,112	0	-20,074
Write-downs			656				656
Disposals				5,480			5,480
Translation differences			-239				-239
Accumulated impairment losses at December 31, 2007		0	-1,988	-1,077	-11,112	0	-14,177
Net carrying amount December 31, 2006		8,737	685	606	0	29	10,057
Net carrying amount December 31, 2007		**15,920**	**754**	**611**	**0**	**30**	**17,315**

Investments in other enterprises include a 9.6% stake in Gedei NV (net book value of KUSD 166), a 87% participation in Agridus NV in liquidation (net book value of KUSD 379) and KUSD 65 other participations.
The equity of Gedei NV amounted to KUSD 7,526 at December 31, 2007 and the equity of Agridus NV amounted to KUSD 650 at June 30, 2007 (latest available financial statements).

Investments in associates refer to:

KUSD	Functional currency	% of interest	Shareholders' equity Group share	Goodwill	Participations in Group companies	Net carrying amount
SIPEF-CI SA	CFA	32	1,968			1,968
B.D.M. NV	EUR	50	5,485		-1,608	3,877
Bruns ten Brink BV	EUR	50	860	416		1,276
Asco NV	EUR	50	9,162		-1,646	7,516
Asco Life NV	EUR	20	1,283			1,283
Total			**18,758**	**416**	**-3,254**	**15,920**

13. Other long term receivables

Other long term receivables concern the present value of a euro receivable on United Oil Company which originates from the sale of 38% of the shares in SIPEF-CI SA at the end of 2004. In 2007 the agreed terms of redemption were met so part of the previous impairment loss was reversed during the year.

KEUR	2006	Repayment	Disposal	2007
Gross	1,682	557		1,125
Write-down	-457		206	-251
UOC	1,225	557	206	874
Exchange rate	0.7593			0.6793
KUSD				
UOC	1,613			1,287
Others	448			182
Total	**2,061**			**1,469**

14. Inventories

Analysis of inventories

KUSD	2007	2006
Raw materials and supplies	7,404	7,835
Finished goods	13,021	8,698
Advance payments	875	902
Total	**21,300**	**17,435**

The stocks of finished products rose by KUSD 4,323. This increase is mainly due to the rise in unit value of the palm oil stocks and to a temporary rise in Hargy Oil Palms Ltd due to a delay in shipment.

15. Other current assets and other current liabilities

Other receivables (KUSD 7,563) mainly include a tax receivable for KUSD 7,451. The remaining amount of KUSD 112 mainly concerns recoverable VAT (against KUSD 1,819 prior year).

The 'other payables' (KUSD 13,088) mainly concern social obligations (salaries to be paid, provisions for holiday pay and bonus) and invoices to be received. There is also a debt of KUSD 4,637 to be paid to B.D.M. NV as a result of the sale of shares of Asco NV to SA SIPEF NV.

Marketing activities are not included in the result until the corresponding contracts have been fully closed. In the meantime they are recorded under accrued/deferred charges and income.

16. Shareholders' equity

The various components of equity and the changes therein from December 31, 2006 to December 31, 2007 are presented in the consolidated statement of changes in equity.

Capital stock and share premium

The issued capital of the Company as at December 31, 2007 amounts to KEUR 34,768 (KUSD 45,819), represented by 895,174 fully paid ordinary shares without nominal value. Changes in capital stock and share premium from the end of 2005 to the end of 2007 are shown as follows, both in EUR as in USD:

Date	Number of shares	Capital (KEUR)	Par value	Share premium (KEUR)	Total (KEUR)	Total/Share
2005	**872,511**	**33,888**	**38.84**	**14,738**	**48,626**	**55.73**
03/11/2006	10,377	403	38.84	683	1,086	104.65
2006	**882,888**	**34,291**	**38.84**	**15,421**	**49,712**	**56.31**
13/11/2007	12,286	477	38.82	864	1,341	109.15
2007	**895,174**	**34,768**	**38.84**	**16,285**	**51,053**	**57.03**

Date	Number of shares	Capital (KUSD)	Par value	Share premium (KUSD)	Total (KUSD)	Total/Share
2005	**872,511**	**39,976**	**45.82**	**17,386**	**57,362**	**65.74**
03/11/2006	10,377	5,185	499.66	2,923	8,108	781.34
2006	**882,888**	**45,161**	**51.15**	**20,309**	**65,470**	**74.15**
13/11/2007	12,286	658	53.56	1,193	1,851	150.66
2007	**895,174**	**45,819**	**51.18**	**21,502**	**67,321**	**75.20**

The Extraordinary General Meeting of shareholders on July 17, 2006 reauthorized the Board of Directors to increase the capital in one or more operations by an amount of KEUR 33,888 over a period of 5 years after the publication of the renewal.

The Board of Directors made use of the authorized capital for an amount of KEUR 880 for the the capital increase in 2006 and 2007.

As at 31 December 2007 the Company has received following shareholders declarations:

In mutual consent	Number of shares	Date of notifying	Denominator	%
N.I.M. NV (in connection with AvH NV)	165,000	12/02/2007	882,888	18.69
AvH NV (in connection with N.I.M. NV)	941	12/02/2007	882,888	0.11
Baron Bracht (in connection with Cabra and Gedei)	20,018	12/02/2007	882,888	2.27
Cabra NV (in connection with baron Bracht and Gedei)	38,777	12/02/2007	882,888	4.39
Gedei NV (in connection with baron Bracht and Cabra)	43,864	12/02/2007	882,888	4.97
	268,600			**30.43**
Alcatel Pensioenfonds VZW	35,450	30/06/2003	708,054	5.01
Fortis Investment Management NV	45,575	14/11/2007	895,174	5.09

Translation differences

Translation differences comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company.
The change compared to last year is mainly the result of the strengthening of the EUR and the CFA vesus the USD in 2007.

Opening balance at December 31, 2006	-14,238
Movement, full consolidation	139
Movement, equity method	1,337
Ending balance at December 31, 2007	**-12,762**

Dividends

On February 27, 2008 a dividend of KEUR 7,161 (8 EUR gross per ordinary share) has been recommended by the Board of Directors but has not yet been approved by the General Meeting of Shareholders of SA SIPEF NV and is therefore not provided for in the financial statements as at December 31, 2007.

Capital management

The capital structure of the Group is based on the financial strategy as defined by the Board of Directors. This takes into account all the important elements that meet the requirements of the strategy and daily needs of the Group.
The management puts forward yearly the financial plan for approval by the Board of Directors.

17. Minority interests

These consist mainly of minority interests in the equity and net income of:

%	2007	2006
PT Tolan Tiga	5.00	5.00
PT Eastern Sumatra	5.00	5.00
PT Kerasaan	43.00	43.00
PT Bandar Sumatra	5.00	5.00
PT Timbang Deli	5.00	5.00
PT Melania	26.47	26.47
PT Umbul Mas Wisesa	26.47	22.60
PT Citra Sawit Mandiri	26.47	-
PT Agro Muko	2.02	2.02
Sipef Pacific Timbers Pty Ltd	-	25.00
Phu Ben Tea Cy	22.60	22.60
Sipef Guinée SA	15.96	15.96
Bonal SA	30.18	30.18
Senor Ltd	2.71	2.71
Jabelmalux SA	22.60	22.60

The movements of the year can be summarized as follows:

KUSD	2007
At the end of the preceding period	12,846
Change in consolidation scope	-58
Profit for the period attributable to minority interests	4,703
Distributed dividends	-2,349
Translation differences	-10
At the end of the period	**15,132**

18. Provisions

These mainly include a provision for “constructed buildings” which are still under guarantee in SIPEF NV (KUSD 142) and provisions for various bad debts and a few minor disputes.

19. Pension liabilities

Defined benefit plans

Pension liabilities mainly represent defined benefit plans in Indonesia.

These pension plans, set up in order to pay a lump sum amount at the time of retirement, are not financed with a third party. The following reconciliation summarizes the variation of total pension liabilities between 2006 and 2007:

KUSD	2006	Pension cost	Payment	Exchange	Translation difference	2007
Indonesia	8,947	1,798	-1,444	-389		8,912
Ivory Coast	208	32			27	267
Others	215	14		8		237
	9,370	**1,844**	**-1,444**	**-381**	**27**	**9,416**

Following assumptions are used in the pension calculation of Indonesia:	2007	2006
Discount rate	10.0%	10.0%
Salary increase	7.5%	7.5%
Past service age	55 years or 30 years of seniority	

Pension liabilities in Indonesia have changed as follows: KUSD	2007	2006
Opening	**8,947**	
Service cost	577	503
Interest cost	939	927
Past service cost	0	50
Benefits paid	-1,444	-1,027
Actuarial gains and losses	282	947
Exchange differences	-389	
Translation differences	0	-216
Closing	**8,912**	

The amounts recognised in the balance sheet are as follows: KUSD	2007	2006
Pension liabilities	8,912	8,947
Liabilities in the balance sheet	8,912	8,947

The amounts recognised in the income statement for Indonesia are as follows: KUSD	2007	2006
Service cost	577	503
Interest cost	939	927
Past service cost	0	50
Actuarial gains and losses	282	947
Pension cost	**1,798**	**2,427**

These costs are included under the headings cost of sales and selling, general and administrative expenses of the income statement.
The experience adjustments on plan liabilities are presented as follows:

KUSD	2007	2006
Pension liabilities	8,912	8,947
Experience adjustments	282	911
	3.2%	**10.2%**

In 2006, the important experience adjustments were the result of a higher than expected salary increase in Indonesia following the increased fuel prices in that country.
Estimated benefit payments in 2008 are KUSD 1,090.

Defined contribution plans

Contributions paid regarding the defined contribution plans amount to KUSD 927 (KUSD 866 in 2006).
Contributions paid within the scope of the Belgian pension schemes are provided through insurance companies and meet the minimum return requirement and are therefore treated as defined contribution plans.

20. Net financial debt

Net financial debt can be analysed as follows:

KUSD	2007	2006
Long term financial obligations	18,597	4,697
Current portion of financial obligations payable after one year	9,581	11,097
Obligations initially payable after more than one year	**28,178**	**15,794**
Short-term obligations - credit institutions	15,455	40,920
Investments and deposits	-31,453	-17,960
Cash and cash equivalents	-3,900	-3,540
Net financial obligations	**8,280**	**35,214**

Analysis of net financial obligations 2007 per currency:

KUSD	EUR	USD	Others	Total
Obligations initially payable after more than one year	0	27,952	226	28,178
Short-term financial obligations	0	13,917	1,538	15,455
Investments and deposits	-5,321	-26,127	-5	-31,453
Cash and cash equivalents	-1,296	-714	-1,890	-3,900
Total	**-6,617**	**15,028**	**-131**	**8,280**

The cash deposit in EUR of KUSD 5,321 concerns mainly funds that are reserved for the payment of the proposed dividend.

Analysis of interest expenses of obligations initially payable after more than one year:

KUSD	2007	% of total	Weighted average
Fixed rate (or covered by IRS)	27,488	98%	6.08%
Floating rate	690	2%	Floating
	28,178	**100%**	

Due dates of obligations initially payable after more than one year are as follows:

KUSD	2007
2008	9,581
2009	5,365
2010	5,316
2011	5,316
2012	2,600
Total	**28,178**

Reconciliation net financial position and cash flow

KUSD	2007
Net financial position at the beginning of the period	35,215
Increase/(decrease) in long-term borrowings	12,383
Increase/(decrease) in short-term financial obligations	-25,465
Net movement in cash and cash equivalents	-13,840
Effect of exchange rate fluctuations on long term obligations	0
Effect of exchange rate fluctuations on cash and cash equivalents	-13
Net financial position at the end of the period	**8,280**

21. Trade and other obligations >1 year

The trade debt at more than one year is an interest free debt in Plantations J. Eglin SA.

22. Recurring/Non-recurring result

The non-recurring result is included under the heading 'Other operating income/(charges)' and can be detailed as follows:

KUSD	2007	2006
Recurring	**1,021**	**697**
Reverse write down of receivables Ivory Coast in SA SIPEF NV	940	100
Write down of receivables, slow moving stock and unused machinery	-2,145	
Strike in Indonesia	-750	
Shareholders' debt in Jabelmalux SA	2,143	
Sale Cavalla Rubber Corporation	383	
Badwill on purchase Tolan Tiga Group		1,704
Recovery receivable from Congo (Libenge)		909
Non-recurring	**571**	**2,713**
Other operating income/(charges)	**1,592**	**3,410**

Non-recurring result, taxes included

KUSD	2007	2006
Non-recurring	571	2,713
Tax effect on non-recurring result	760	0
Non-recurring result after taxes	**1,331**	**2,713**
Minority interests	333	0
Equity holders of the parent company	998	2,713

Adjusted net recurring result Group share

KUSD	2007	2006
Net result - part of the Group	48,074	22,100
Adjustment non-recurring result	-998	-2,713
Adjustment IAS41	-6,801	-2,107
Adjusted net recurring result	**40,275**	**17,280**

23. Financial result

The financial income concerns the interests received on current accounts both non-consolidated companies and on temporary excess cash.

The financial costs concern the interests on long term and short term borrowings as well as bank charges and other financial costs.

24. Income taxes

The reconciliation between the tax expenses and tax at local applicable tax rates is as follows:

KUSD	2007	2006
Profit before tax	73,979	31,801
Tax at the applicable local rates	-22,477	-9,587
Average applicable tax rate	30.38%	30,15%
Withholding tax on dividends	-311	-28
Disallowed expenses/untaxed income	8,123	2,183
Deferred taxes	-8,313	-1,427
Tax expense	-22,978	-8,859
Average effective tax rate	31.06%	27.86%

Deferred taxes in the income statement are the result of:

KUSD	2007	2006
Addition/(utilisation) of tax losses brought forward	-282	1,208
Origin or reversal of temporary differences - biological assets	-3,747	-1,348
Origin or reversal of temporary differences - other non-current assets	-2,762	-894
Origin or reversal of temporary differences - pension provision	-10	420
Origin or reversal of temporary differences - translation differences loans	-340	-431
Origin or reversal of temporary differences - inventories	-685	-399
Origin or reversal of temporary differences - other	-487	17
	-8,313	**-1,427**

Deferred tax liabilities and assets are offset per taxable entity which leads to the following split between deferred tax assets and deferred tax liabilities:

KUSD	2007	2006
Deferred tax assets	971	1,262
Deferred tax liabilities	-38,967	-31,485
Net deferred taxes	**-37,996**	**-30,223**

The deferred tax assets refer to unused tax losses in Galley Reach Holdings Ltd where, due to the positive returns on rubber, it has become probable that future taxable profits will be available, against which the unused tax losses can be partly offset (including the losses carried forward in Sipef Pacific Timbers Pty Ltd).

The movements in net deferred taxes (assets - liabilities) are:

KUSD	2007	2006
Opening balance	-30,223	
Increase (= expense)/decrease (= income) through income statement	-8,313	-1,427
Acquisition PT UMW	540	
Closing balance	**-37,996**	

Total deferred tax assets and liabilities are not entirely recognized in the balance sheet. The breakdown of total, recognized and unrecognized deferred taxes is as follows:

	2007		
KUSD	Total	Not recorded	Recorded
Biological assets	-31,215	-1,226	-32,441
Other non-current assets	-8,770	-1,045	-9,815
Inventories	-2,791		-2,791
Long term obligations	431	-312	119
Pension provision	2,674		2,674
Tax losses	14,583	-10,356	4,227
Others	76	-45	31
Total	**-25,012**	**-12,984**	**-37,996**

The majority of the unrecognized deferred tax assets at the end of 2007 are located at the parent company (KUSD 9,310), at Galley Reach Holdings Ltd and Sipef Pacific Timbers Pty Ltd (together KUSD 2,261) and at Plantations J. Eglin SA (KUSD 1,103). For these entities there is uncertainty regarding the availability of sufficient future taxable profit. The reasons for these uncertainties are:

- For SA SIPEF NV: revenue is subject to limited or even no income tax (dividends and capital gains on shares);
- For Galley Reach Holdings Ltd: the exclusion of certain deferred tax assets above 2 years due to the volatility of the rubber prices;
- For Sipef Pacific Timbers Pty Ltd: the absence of any business activity;
- For Plantations J.Eglin SA: the unstable political situation in Ivory Coast and the uncertainty regarding future banana prices.

Total tax losses (recognized and unrecognized) have the following maturity structure:

KUSD	Total	Not recorded	Recorded
1 year	25	-25	0
2 years	59	-59	0
3 years	137	-137	0
4 years	18	-18	0
5 years	0	0	0
Unlimited	14,344	-10,117	4,227
Total	**14,583**	**-10,356**	**4,227**

Taxes paid as presented in the consolidated cash flow statement are detailed as follows:

KUSD	2007	2006
Tax at the applicable local rates	-22,477	-9,587
Withholding tax on dividends	-311	-28
Disallowed expenses/untaxed income	8,123	2,183
Current taxes	**-14,665**	**-7,432**
Variation prepaid taxes	1,706	500
Variation payable taxes	3,940	6
Paid taxes	**-9,019**	**-6,926**

25. Share of results of associated companies

The contribution of the equity accounted companies increased due to SIPEF-CI SA enjoying better palm oil prices on the Ivorian market. The insurance group B.D.M. NV/Asco NV suffered from difficult market circumstances and increased competition.

26. Stock option plans granted by the Company

In 2007 there were 2 stock option plans running in SA SIPEF NV. Both plans allow a free assignment of a share option in the Company with as objective:

- Arouse and reinforce interest in the group's result. SA SIPEF NV's main objective in implementing this scheme is to motivate the participants, thus ensuring that it is in their own interest that the value of the shares in the Company increases;
- Ensure SA SIPEF NV's stability, thus ensuring SA SIPEF NV's management board remains motivated in the execution of its tasks and will deliver a positive contribution to the going concern of the company;
- Make capital available for SA SIPEF NV within a relatively short period;
- Increase the participants' impact on the operation of the Company by enabling all participants to become shareholders.

In 1999 a stock option plan has been granted to members of the Board of Directors, the management committee, overseas managers and employees of SA SIPEF NV.
In 2002 a stock option plan has been granted to members of the Board of Directors and the management committee of SA SIPEF NV.

Further details regarding the exercise period, exercise price, exercisable options and the variation in comparison to last year are detailed in the following schedule:

Plan	Maturity date	Exercice	Price (EUR)	# exercisable end 2006	Forfeited 2007	Exercised 2007	# exercisable end 2007
1999	December 2012	from October 2003	124.00	7,850	0	-7,850	0
2002	December 2015	from October 2006	83.00	4,436	0	-4,436	0
				12,286	**0**	**-12,286**	**0**

At the date of exercise the share price amounted to 360 EUR/share.

The stock option plan granted in 2002 is subject to the application of IFRS 2 which means that the fair value of these options is recorded in the income statement against the same increase in equity spread over the vesting period.
At the time of granting, the fair value of the option plan was calculated at 39.47 EUR per option or a total value of KEUR 395 based on following parameters (Black & Scholes model):

The exercise price of the option		83 EUR
The life of the option = average of	a)	3 years
	b)	10 years
The current price of the underlying shares		107.81 EUR
The expected volatility of the share price		37.23%
The dividends expected on the shares		2.50%
The risk-free interest rate for the life of the option	a)	2.88%
	b)	3.98%

In 2005 and 2004 a cost of KEUR 135 was recognized. Together with the amount recognized at the first application of IFRS at the beginning of 2004 (KEUR 125), the total amount has been included in equity.

27. Financial instruments

Exposure to fluctuations in the market price of core products, currencies, interest rates and credit risk arises in the normal course of the Group's business. Financial derivative instruments are used to a limited extend to reduce the exposure to fluctuations in foreign exchange rates and interest rates.

Fluctuations in the market price of core products
Structural risk
SIPEF is exposed to structural price risks of their core products.
The risk is primarily related to palm oil and palm kernel oil and to a lesser extent to rubber. A change of the palm oil price of 10 USD CIF per ton has an impact of about KUSD 1,000 per year (without taking into account the impact of the current export tax in Indonesia) on result after tax. This risk is assumed to be a business risk.
Transactional risk
The Group faces transactional price risks on products sold.
The transactional risk is the risk that the price of products purchased from third parties fluctuates between the time the price is fixed with a customer and the time the transaction is settled. This risk is assumed to be a business risk.

Currency risk
The Group's currency risk can be split into three distinct categories: structural, transactional and translational:

Structural risk
A portion of the Group's revenues are denominated in USD, while many of the operations are located outside the USD zone (particularly in Indonesia, Papua New Guinea, Vietnam, Ivory Coast and Europe). Any change in the USD against the local currency will therefore have a considerable impact on the operating result of the company. Most of these risks are considered to be a business risk.

Transactional risk

The Group is also subject to transactional risks in respect of currencies, i.e. the risk of currency exchange rates fluctuating between the time the price is fixed with a customer, supplier or financial institution and the time the transaction is settled.

This risk, with the exception of naturally covered positions, is not covered since most receivables and payables have a short settlement term.

The pension liabilities in Indonesia are important long term liabilities that are fully payable in IDR. A devaluation or revaluation of 10% of the IDR versus the USD has the following effect on the income statement:

KUSD	IDR + 10%	Book value	IDR - 10%
Pension liabilities	9,903	8,912	8,103
Gross impact income statement	-991	0	809

On the 27th February 2008 the Board of Directors proposed the payment of KEUR 7,161 (8 EUR gross per ordinary share). In the light of our liquidity and currency policy the exchange risk on the payment of this dividend was covered in two installments for the sale of KUSD 10,737 for KEUR 7,161 (average exchange rate of 0.6668):

- KUSD 5,317 (KEUR 3,581) before the end of the year (see note 20);
- KUSD 5,420 (KEUR 3,580) after year end.

No sensitivity analysis was done for this EUR position as this position was not representative for the EUR position during the past year.

Translational risk

SIPEF is an international company and has operations which do not use the USD as their reporting currency. When such results are consolidated into the Group's accounts the translated amount is exposed to variations in the value of such local currencies against the USD. SIPEF does not hedge against such risk (see accounting policies).

As from 1st of January 2007 onwards the functional currency of most of our activities is the same as the presentation currency this risk has been largely restricted.

Interest rate risk

The Group's exposure to changes in interest rates relates to the Group's financial debt obligations. At the end of December 2007, the Group's net financial debt amounted to KUSD 8,280 of which KUSD 28,178 loans initially payable after more than one year and KUSD 19,898 net short term cash and cash equivalents.

As part of the management of its overall costs of funding, the Group has hedged part of its interest rate risk exposure by entering into interest rate swaps (see also the note regarding net financial debt) so that 98% of the borrowings with an initial term of more than 1 year have a fixed rate of interest (see also note with regard to the net financial debt).

Available funds are invested in short term deposits.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a loss.

This credit risk can be split into a commercial and a financial credit risk.

With regard to the commercial credit risk management has established a credit policy and the exposure to this credit risk is monitored on a continous basis.

In practice a difference is made between:

KUSD	2007	2006
receivables from the sale of palm oil/rubber/tea	16,563	10,631
receivables from the sale of tropical fruits and plants	4,578	3,993
	21,141	**14,624**

The credit risk for the first category is rather limited as these sales are for the most part immediately paid against presentation of documents. Moreover it concerns a relatively small number of first class buyers (per product about 90% of the turnover is realized with maximum 10 clients of which non is over 30%). Contrary to the first category the credit risk for the receivables from the sales of tropical fruits and plants are more important.

For this category there is as weekly monitoring of the open balances due and a proactive system of reminders. Depreciations are applied as soon as total or partial payments are seen as unlikely. The elements that are taken into account for these appraisals are the lengths of the delay in payment and the creditworthiness of the client.

The receivables from the sales of tropical fruits and plants have the following due date schedule:

KUSD	2007	2006
Not yet due	2,502	1,532
Due < 30 days	1,530	2,130
Due between 30 and 60 days	68	251
Due between 60 and 90 days	-3	9
Due more than 90 days	481	71
	4,578	**3,993**

In 2007 there was a cumulated amount of KUSD 321 taken up on depreciation on the receivables from the sales of tropical fruit and plants (2006: KUSD 170).

In order to limit the financial credit risk SIPEF has spread its more important activities over a small number of banking groups with a first class rating for creditworhtiness.

Liquidity risk

A material and structural shortage in our cash flow would damage both our creditworthiness as well as the trust of investors and would restrict the capacity of the Group to attract fresh capital.

The operational cash flow provides the means to finance the financial obligations and to increase shareholder value. SIPEF manages the liquidity risk by evaluating the short term and long term cash flows. SIPEF maintains an access to the capital market through short and long term debt programs.

The following table gives the contractually determined (not-discounted) cash flows resulting from liabilities at balance sheet date:

2007 KUSD	Carrying amount	Contractual cash flows	Less than 1 year	1 - 2 years	2-3 years	3-4 years	More than 5 years
Trade and other obligations > 1 year	147	-147					-147
Financial obligations > 1 year (incl. derivatives)	18,597	-20,683		-6,331	-5,985	-5,690	-2,677
Non-current financial liabilities	**18,744**	**-20,830**	**0**	**-6,331**	**-5,985**	**-5,690**	**-2,824**
Trade & other obligations < 1 year							
Trade payables	10,160	-10,160	-10,160				
Advances received	602	-602	-602				
Financial obligations < 1 year							
Current portion of amounts payable after one year	9,581	-10,717	-10,717				
Financial obligations	15,455	-15,688	-15,688				
Derivatives	343	-365	-162	-101	-67	-34	-1
Other current liabilities	7,239	-7,239	-7,239				
Current liabilities	**43,380**	**-44,771**	**-44,568**	**-101**	**-67**	**-34**	**-1**

2006 KUSD	Carrying amount	Contractual cash flows	Less than 1 year	1 - 2 years	2-3 years	3-4 years	More than 5 years
Trade and other obligations > 1 year	132	-132					-132
Financial obligations > 1 year (incl. derivatives)	4,697	-5,075		-4,634	-190	-131	-120
Non-current financial liabilities	**4,829**	**-5,207**	**0**	**-4,634**	**-190**	**-131**	**-252**
Trade & other obligations < 1 year							
Trade payables	5,078	-5,078	-5,078				
Advances received	382	-382	-382				
Financial obligations < 1 year							
Current portion of amounts payable after one year	11,097	-11,481	-11,481				
Financial obligations	40,920	-41,192	-41,192				
Derivatives	206	-206	-206				
Other current liabilities	4,289	-4,289	-4,289				
Current liabilities	**61,972**	**-62,628**	**-62,628**	**0**	**0**	**0**	**0**

Fair value

Fair values of derivatives are:

KUSD	2007	2006
Currency swaps	0	-118
Interest rate swaps	-343	-88
Fair value (+ = asset; - = liability)	**-343**	**-206**

Financial instruments per category

The next table gives the financial instruments per category as per end 2007 and end 2006. The carrying amount mentioned in this summary is also representative for the actual faire value.

The obligations with a term of more than one year (KUSD 28,178) comprise for KUSD 690 loans with a variable interest rate, KUSD 23,400 loans covered with an Interest Rate Swap and KUSD 4,088 loans with a fixed interest rate. The management is of the opinion that in view of the market circumstances, the carrying amount of the loans with a fixed interest rate is representative for the fair value.

2007 KUSD	Assets available for sale	Loans and receivables	Derivatives	Cash	**Total carrying amount**
Financial assets					
Other investments		754			**754**
Other financial assets	611	30			**641**
Receivables > 1 year					
Other receivables		1,469			**1,469**
Total non-current financial assets	**611**	**2,253**	**0**	**0**	**2,864**
Trade and other receivables					
Trade receivables		21,141			**21,141**
Investments					
Other investments and deposits				31,453	**31,453**
Cash and cash equivalents				3,900	**3,900**
Other current assets		1,236			**1,236**
Total current financial assets	**0**	**22,377**	**0**	**35,353**	**57,730**
Total financial assets	**611**	**24,630**	**0**	**35,353**	**60,594**

	Derivatives	Other liabilities	**Total carrying amount**
Trade and other obligations > 1 year		147	**147**
Financial obligations > 1 year (incl. derivatives)		18,597	**18,597**
Total non-current financial liabilities	**0**	**18,744**	**18,744**
Trade & other obligations < 1 year			
Trade payables		10,160	**10,160**
Advances received		602	**602**
Financial obligations < 1 year			
Current portion of amounts payable after one year		9,581	**9,581**
Financial obligations		15,455	**15,455**
Derivatives	343		**343**
Other current liabilities		7,239	**7,239**
Total current financial liabilities	**343**	**43,037**	**43,380**
Total financial liabilities	**343**	**61,781**	**62,124**

2006 KUSD	Assets available for sale	Loans and receivables	Derivatives	Cash	**Total carrying amount**
Financial assets					
Other financial assets		685			**685**
Other investments	606	29			**635**
Receivables > 1 year					
Other receivables		2,061			**2,061**
Total non-current financial assets	**606**	**2,775**	**0**	**0**	**3,381**
Trade and other receivables					
Trade receivables		14,624			**14,624**
Investments					
Other investments and deposits				17,960	**17,960**
Cash and cash equivalents				3,540	**3,540**
Other current assets		1,342			**1,342**
Total current financial assets	**0**	**15,966**	**0**	**21,500**	**37,466**
Total financial assets	**606**	**18,741**	**0**	**21,500**	**40,847**

	Derivatives	Other liabilities	**Total carrying amount**
Trade and other obligations > 1 year		132	**132**
Financial obligations > 1 year (incl. derivatives)		4,697	**4,697**
Total non-current financial liabilities	**0**	**4,829**	**4,829**
Trade & other obligations < 1 year			
Trade payables		5,078	**5,078**
Advances received		382	**382**
Financial obligations < 1 year			
Current portion of amounts payable after one year		11,097	**11,097**
Financial obligations		40,920	**40,920**
Derivatives	206		**206**
Other current liabilities		4,289	**4,289**
Total current financial liabilities	**206**	**61,766**	**61,972**
Total financial liabilities	**206**	**66,595**	**66,801**

The contribution to the net result of the financial instrument per category is presented as follows:

2007 KUSD	Assets available for sale	Loans and receivables	Cash	Derivatives	Amortized cost	**Total**
Revenue	14					**14**
	14	**0**	**0**	**0**	**0**	**14**
Financial income		616	1,012			**1,628**
Financial charges	-7		-976		-1,959	**-2,942**
Exchange differences				-137		**-137**
	-7	**616**	**36**	**-137**	**-1,959**	**-1,451**

2006 KUSD	Assets available for sale	Loans and receivables	Cash	Derivatives	Amortized cost	**Total**
Revenue	13					**13**
Other operating income/(charges)						**0**
	13	**0**	**0**	**0**	**0**	**13**
Financial income		307	389			**696**
Financial charges	-4		-1,163		-1,260	**-2,427**
Exchange differences				9		**9**
	-4	**307**	**-774**	**9**	**-1,260**	**-1,722**

28. Joint ventures

PT Agro Muko in Indonesia is managed according to the principles of a joint venture (joint control) and is accounted for according to the proportional consolidation method. Key figures related to the joint venture (at the Group's share of 40.475%) are:

Balance sheet KUSD	2007	2006
Non-current assets	32,061	33,776
Current assets	7,427	4,836
Non-current liabilities	-7,129	-7,783
Current liabilities	-2,811	-947
Total equity	**29,548**	**29,882**

Income statement KUSD	2007	2006
Operating result	8,785	10,635
Financial result	27	-106
Tax expense	-2,681	-3,161
Profit for the period	**6,131**	**7,368**

29. Operational leases

The Group leases mainly vehicles under a number of operating lease agreements. Future lease payments under these non-cancelable operating leases are due as follows:

KUSD	2007	2006
1 year	109	105
2 years	87	27
3 years	55	12
4 years	40	
5 years	17	
Total	**308**	**144**

During the year an amount of KUSD 127 (against KUSD 119 in 2006) has been charged in the income statement.

30. Cash flow statement - acquisitions and divestitures

In 2006 two acquisitions were made:

- in July 2006, 100% of the shares in PT Umbul Mas Wisesa;
- in September 2006, an additional 5% in the Tolan Tiga Group (3% in PT Kerasaan).

In 2007 the goodwill for PT UMW was definitely fixed (only transfer of assets), 5% of this shareholding was sold and 95% was acquired in PT CSM.

Both transactions had the following combined impact on the balance sheet, income statement and cash flow:

KUSD	2007	2006
Intangible assets	371	6,230
Biological assets	-1,130	4,237
Property, plant & equipment	170	42
Participations		
Financial assets		
Current assets/liabilities (excl. cash and cash equivalents)	154	
Provisions		
Deferred taxes	577	
Financial obligations		
Cash and cash equivalents		
Minority interests	58	5,954
Purchased shareholders' equity	**200**	**16,463**
Purchase price	-202	-14,759
Result	-2	1,704
Net cash outflows	-202	-14,759

These transactions didn't have a material impact on the income statement of the year.

31. Off balance sheet rights and commitments

Guarantees

The Group has given or irrevocably promised guarantees on their own assets as security for debts and commitments of enterprises included in the consolidation for an amount of KUSD 4,989 (2006: KUSD 8,930).

In addition an amount of KUSD 1,562 has been guaranteed by third parties as security for the Company's account and for KUSD 337 for the account of subsidiaries.

Significant litigation

Nihil

Forward sales

The commitments for the delivery of goods (palm products, rubber, tea and tropical fruits) after the year end fall within the normal delivery period of about 3 months from date of sale. Those sales are not considered as forward sales. As of 31/12/2007 the Group has made some forward sales for palm oil with the goal of securing the cash flow necessary to finance the expansion plans.

These concern the following deliveries:

	Tonne	Price (USD/tonne FOB)
2008	38,500	686
2009	30,000	682
2010	18,000	703
2011	6,000	725
Total	**92,500**	

32. Related party transactions

Transactions with Directors and members of the Executive Committee

Key management personnel are defined as the Directors and the Group's Management Committee.

The table below shows an overview of total remuneration received:

KUSD	2007	2006
Directors' fees		
proportional fees	190	174
fixed fees	201	
Short-term employee benefits	2,240	1,530
Post-employment benefits	703	760
Total	**3,334**	**2,464**

The amounts are paid in EUR. The increase is mainly the result of the exchange rate variation between the EUR and the USD.

The amount paid in 2007 is KEUR 2,417 (KEUR 1,951 in 2006).

The proportional Directors' fees concern the remuneration paid to members of the Board of Directors for the financial year 2006 as a result of the profit sharing for that financial year.

Starting from the financial year 2007 fixed fees shall be paid to the members of the Board of Directors, the audit committee and the remuneration committee.

Related party transactions are considered immaterial, except for the rental agreement since 1985 between Cabra NV and SA SIPEF NV covering the offices and ancillary parking space at Castle Calesberg in Schoten. The annual rent, adjusted for inflation, amounts to KUSD 203 (KEUR 138) and KUSD 82 is invoiced for SA SIPEF NV's share of maintenance of the buildings, parking space and park area. Relations with Board Members and Management Committee members are covered in detail in the "Corporate Governance" section.

Other related party transactions

At the end of the financial year SA SIPEF NV bought from B.D.M. NV 27% of the shares of Asco NV for an amount of KEUR 3,150 (KUSD 4,637). In 2007 a management fee of KUSD 294 (versus KUSD 336 in 2006) was received from SIPEF-CI SA. Per 31 december 2007 the Group has an account receivable of KUSD 754 (KEUR 512) with SIPEF-CI SA (see also note 12).

Transactions with related companies are mainly trade transactions and are priced at arms' length. The revenue and expenses related to these transactions are immaterial to the consolidated financial statements as a whole.

33. Earnings per share (basic and diluted)

	2007	2006
Basic earnings per share		
Basic earnings per share - calculation (USD)	54.32	25.28
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	48,074	22,100
Denominator: the weighted average number of ordinary shares outstanding	884,936	874,240
The weighted average number of ordinary shares outstanding is calculated as follows:		
Number of ordinary shares outstanding at January 1	882,888	872,511
Effect of capital increase	2,048	1,729
The weighted average number of ordinary shares outstanding at December 31	884,936	874,240
Diluted earnings per share		
Diluted earnings per share - calculation (USD)	53.92	25.02
The diluted earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	48,074	22,100
Denominator: the weighted average number of dilutive ordinary shares outstanding	891,556	883,249
The weighted average number of dilutive ordinary shares outstanding is calculated as follows:		
The weighted average number of ordinary shares outstanding at December 31	884,936	874,240
Effect of stock options on issue	6,620	9,009
The weighted average number of dilutive ordinary shares outstanding at December 31	891,556	883,249

34. Events after the balance sheet date

On January 24 2008, the sale of Cherry Ridge Office Park was finalized, the last remaining building in San Antonio in the USA for a gross sales amount of KUSD 8,100. After settlement of the sales expenses and the capital gain tax the net proceeds from the sale will exceed KUSD 5,000 and the impact on the 2008 results more than KUSD 3,000.

35. Recent IFRS accounting pronouncements

There are no standards or interpretations issued by the IASB which have a significant impact on SIPEF's financial statements.

36. Recent developments

To the best of our actual knowledge, there are no circumstances or developments, which would have a major impact on the further development of the Group.

37. Services provided by the auditor and related fees

The statutory auditor of the Group is Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA represented by Philip Maeyaert.
The fees for the annual report of SA SIPEF NV were approved by the general meeting after review and approval of the audit committée and by the Board of Directors.
These fees correspond to an amount of KUSD 82 (against KUSD 72 last year).
This increase is due to the exchange variation of the EUR against the USD.
For the Group, Deloitte has provided services for KUSD 381 in 2007 (against KUSD 412 the year before), of which KUSD 80 (2006: KUSD 113) are for non audit services.

Statutory Auditor’s report

Bedrijfsrevisoren / Reviseurs
d'Entreprises
Berkenlaan 8b
B-1831 Diegem
Belgium

Tel.: +32 2 800 20 00
Fax: +32 2 800 20 01
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SA SIPEF NV

STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements with an emphasis of matter paragraph

We have audited the accompanying consolidated financial statements of SA SIPEF NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 345.865 (000) USD and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 48.074 (000) USD.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". These standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2007, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Without prejudice to the unqualified opinion issued above, we draw attention to the consolidated annual report, with regard to the valuation of the biological assets, referring to the fact that, because of the inherent uncertainty associated with the valuation of the biological assets due to the volatility of the prices of the agricultural produce and the absence of a liquidmarket, their carrying value may differ from their realisable value.

Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Diegem, 25 March 2008

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Philip Maeyaert

Member of
Deloitte Touche Tohmatsu 3

Parent company summarized statutory accounts

The annual accounts of SA SIPEF NV are given below in summarized form.
In accordance with the Belgian Code on Companies, the annual accounts of SA SIPEF NV, together with the management report and the auditor's report will be deposited with the National Bank of Belgium.
These documents may also be obtained on request from:

SA SIPEF NV
Entrepotkaai 5
B-2000 Antwerpen

Only the consolidated annual financial statements as set forth in the preceding pages present a true and fair view of the financial position and performance of the SIPEF Group.

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of SA SIPEF NV for the year ended December 31, 2007 give a true and fair view of the financial position and results of the company in accordance with all legal and regulatory requirements.

Condensed balance sheet

(after appropriation)

Assets KEUR	2007	2006	2005
Fixed assets	**78,660**	**64,973**	**59,021**
Formation expenses	0	0	0
Intangible assets	427	147	0
Tangible assets	148	173	175
Financial assets	78,085	64,653	58,846
Current assets	**46,901**	**44,174**	**34,019**
Amounts receivable after more than one year	874	1,224	1,396
Stocks and contracts in progress	7,295	5,656	4,295
Amounts receivable within one year	20,603	24,760	20,175
Investments	16,704	11,184	3,982
Cash at bank and in hand	1,141	693	1,234
Other current assets	284	657	2,937
Total assets	**125,561**	**109,147**	**93,040**

Liabilities KEUR	2007	2006	2005
Equity	**56,779**	**55,125**	**59,613**
Capital	34,768	34,291	33,888
Share premium account	16,285	15,421	14,738
Reserves	3,558	3,184	3,184
Profit/ (loss) carried forward	2,168	2,229	7,803
Provisions and deferred taxation	**246**	**99**	**190**
Provisions for liabilities and charges	246	99	190
Creditors	**68,536**	**53,923**	**33,237**
Amounts payable after more than one year	12,363	0	5,212
Amounts payable within one year	53,282	51,872	27,285
Accrued charges and deferred income	2,891	2,051	740
Total liabilities	**125,561**	**109,147**	**93,040**

Condensed income statement

KEUR	2007	2006	2005
Operating income	123,853	110,005	99,850
Operating charges	-124,668	-109,709	-99,769
Operating result	**-815**	**296**	**81**
Financial income	10,187	3,925	5,376
Financial charges	-7,178	-4,504	-3,883
Financial result	**3,009**	**-579**	**1,493**
Result on ordinary activities	**2,194**	**-283**	**1,574**
Extraordinary income	5,440	928	218
Extraordinary charges	-161	-2,550	-977
Extraordinary result	**5,279**	**-1,622**	**-759**
Result for the period before taxes	**7,473**	**-1,905**	**815**
Income taxes	0	0	0
Result for the period	**7,473**	**-1,905**	**815**

Appropriation account

KEUR	2007	2006	2005
Profit/ (loss) to be appropriated	**9,702**	**5,898**	**10,600**
Profit/ (loss) for the period available for appropriation	7,473	-1,905	815
Profit/ (loss) brought forward	2,229	7,803	9,785
Appropriation account	**9,702**	**5,898**	**10,600**
Transfers to legal reserve	373	0	41
Distribution of result	2,168	2,229	7,803
Dividends	7,161	3,531	2,618
Remuneration to directors	0	138	138

Paul NELLENS

° in 1945 in Swansea –Great Britain

He started his career at Bunge, worked also for Kreglinger and subsequently joined SIPEF where he became responsible for the marketing of commodities. Since a number of years he devotes his free time to painting with watercolours. It is a field he shares with his professional occupation because his frequent trips abroad are like a window on to the art in different cultures.

Self-taught. He followed workshops with watercolour painters such as Elsbeth Veerman, Sonja Craen, Roland Palmaerts, Wim Hertoghs, Marthe De Decker and Frank de Mulder.

Group exhibitions
- Atelier 48 in 1999-2000
- Scouts friends Oosterveld in 2001
- Rotary Club Antwerp-Park in 2000-2003-2004-2006

Private exhibitions
- St Joseph Chapel Brasschaat in 2003 (together with Rit De Grande)
- Arte Falco Antwerp in 2007

Selected for
- Papermill Watercolour contest in 2000
- Watercolour Prize Lions Club Voorkempen in 2001-2002-2003-2004-2005-2006
- Watercolour Exhibition AIB Mol in 2002-2003-2004-2005-2007-2008
- 11th Euregio Competition, Maison du Tourisme du Pays de Herve in 2006
- Belgian Watercolour Exhibition Namur in 2007

Prizes and distinctions
- 2005 Second prize Lions Club Voorkempen
- 2006 Honourable Mention Lions Club Voorkempen

Since 2008 member of the inner circle of the Belgian Institute for Watercolour.

Paul Nellens has also painted water colours of various SIPEF plantations and we exhibit a few of these water colour paintings in our annual report as an introduction to his works.

SIPEF

www.sipef.com