

SADIA S.A.
Form 6-K
February 04, 2008

FORM 6-K
U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16
OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of February 2008

Commission File Number 1-15184

SADIA S.A.

(Exact Name as Specified in its Charter)

N/A

(Translation of Registrant's Name)

Rua Fortunato Ferraz, 365
Vila Anastacio, Sao Paulo, SP
05093-901 Brazil
(Address of principal executive offices) (Zip code)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused the Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 01, 2008

SADIA S.A.

By:/s/Welson Teixeira Junior

Name: Welson Teixeira Junior

Title: Investor Relations Officer

Sadia S.A.
(Public-held company)

Financial statements
December 31, 2007 and 2006

Sadia S.A.

Publicly-held company

Financial statements

December 31, 2007 and 2006

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Independent auditors' report

To

The Board of Directors and Shareholders of

Sadia S.A.

Concórdia - SC

1. We have examined the balance sheets of Sadia S.A. and the consolidated balance sheets of the Company and its subsidiaries as of December 31, 2007 and 2006, and the related statements of income, changes in shareholders' equity and changes in financial position for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

2. Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Company management and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Sadia S.A. and the consolidated financial position of the Company and its subsidiaries as of December 31, 2007 and 2006, and the results of its operations, changes in its shareholders' equity and changes in its financial position for the year then ended, in conformity with accounting practices adopted in Brazil.

1.

2.

3.

4. Our examinations were performed with the objective of expressing an opinion on the financial statements taken as a whole. The statements of cash flows and added value as of December 31, 2007 and 2006 are supplementary to the aforementioned financial statements and have been included to facilitate additional analysis. This supplementary information was subject to the same audit procedures as applied to the aforementioned financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the financial statements taken as a whole.

4.

January 29, 2008

KPMG Auditores Independentes

CRC SP014428/O-6-S-SC

Adelino Dias Pinho

Accountant CRC SP097869/O-6-S-SC

Sadia S.A.

Publicly-held Company

Balance sheets

December 31, 2007 and 2006*(In thousands of Reais)*

Assets	Note	Parent company		Consolidated	
		2007	2006	2007	2006
Current assets					
Cash and cash equivalents		251,567	200,177	320,028	234,069
Short-term investments	5	429,299	371,535	2,049,281	2,187,406
Receivables from future contracts		-	-	46,684	26,357
Trade accounts receivable	6	439,944	617,408	486,586	678,598
Inventories	7	1,086,944	1,011,691	1,168,936	1,084,454
Recoverable taxes	8	256,717	160,905	325,868	169,347
Deferred taxes	23	32,533	52,518	35,992	56,509
Other credits		80,516	208,946	130,641	229,909
		2,577,520	2,623,180	4,564,016	4,666,649
Noncurrent assets					
Long-term investments	5	136,042	129,127	136,042	129,127
Recoverable taxes	8	163,752	161,237	165,225	162,229

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Deferred taxes	23	95,375	83,243	95,375	83,243
Judicial deposits	16	41,782	46,968	42,004	46,968
Related parties	9	5,280	92,952	-	-
Advances to suppliers		61,753	73,358	61,753	73,358
Other credits		25,721	23,814	30,392	25,751
		529,705	610,699	530,791	520,676
Permanent assets					
Investments	10	1,796,815	1,286,456	65,787	55,588
Property, plant and equipment	11	2,788,249	2,239,468	2,938,214	2,267,685
Deferred charges	12	75,123	57,810	82,572	65,753
		4,660,187	3,583,734	3,086,573	2,389,026
Total		7,767,412	6,817,613	8,181,380	7,576,351

See the accompanying notes to the financial statements.

Balance sheets

December 31, 2007 and 2006*(In thousands of Reais)*

Liabilities and shareholders* equity	Note	Parent company		Consolidated	
		2007	2006	2007	2006
Current liabilities					
Loans and financing	13	457,510	362,473	989,614	1,207,878
Payables from future contracts		1,662	510	22,409	9,077
Suppliers		583,965	494,643	593,951	503,285
Advances from subsidiaries	9	1,169,098	720,751	-	-
Salaries, social charges and accrued vacation payable		128,432	110,324	132,500	112,433
Taxes payable		51,109	55,930	65,859	63,349
Dividends payable	17	135,666	59,420	135,666	59,420
Employees* profit sharing	19	74,215	44,581	82,346	45,776
Deferred taxes	23	10,969	18,355	10,969	18,355
Other accounts payable		137,202	127,179	195,055	182,672
		2,749,828	1,994,166	2,228,369	2,202,245
Noncurrent liabilities					
Loans and financing	14	1,170,111	1,095,422	2,688,115	2,677,542
Advances from subsidiaries	9	624,029	1,025,812	-	-
Employee benefit plan	15	107,418	96,178	107,418	96,178
Provision for contingencies	16	51,870	43,616	66,794	44,765
Deferred taxes	23	98,725	76,369	98,725	76,369
Other accounts payable		48,214	19,956	46,840	19,930
		2,100,367	2,357,353	3,007,892	2,914,784
Minority interest in subsidiaries				34,599	964

**Shareholders*
equity**

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Capital	2,000,000	1,500,000	2,000,000	1,500,000
Capital reserve	20,507	5	20,507	5
Profit reserves	980,828	999,430	980,828	999,430
Treasury stock	(84,118)	(33,341)	(84,118)	(33,341)
Retained earnings	-	-	(6,697)	(7,736)
	2,917,217	2,466,094	2,910,520	2,458,358
Total	7,767,412	6,817,613	8,181,380	7,576,351

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Sadia S.A.

Publicly-held Company

Statements of income

Years ended December 31, 2007 and 2006*(In thousands of Reais, except for information on earnings per shares)*

		Parent company		Consolidated	
	Note	2007	2006	2007	2006
Gross operating revenue					
Domestic market		5,316,561	4,482,017	5,319,918	4,482,017
Foreign market		3,806,281	3,145,589	4,524,035	3,458,463
		9,122,842	7,627,606	9,843,953	7,940,480
Sales deductions		(1,084,150)	(922,712)	(1,220,762)	(1,063,779)
Net operating revenue		8,038,692	6,704,894	8,623,191	6,876,701
Cost of goods sold		(6,284,379)	(5,160,351)	(6,312,130)	(5,185,217)
Gross profit		1,754,313	1,544,543	2,311,061	1,691,484
Selling expenses		(1,330,507)	(1,172,189)	(1,464,262)	(1,286,994)
Administrative		(84,851)	(57,406)	(84,300)	(57,251)
Management Fees		(16,433)	(14,011)	(16,433)	(14,011)
Other operating income	20	3,575	57,443	6,792	58,877
Employees* profit sharing	19	(74,217)	(46,772)	(83,128)	(48,349)
Financial income (expenses), net	21	3,614	(93,218)	(36,587)	76,681
Equity in earnings of subsidiaries	10	473,665	204,001	-	-
Operating income		729,159	422,391	633,143	420,437
Nonoperating income (expense)	22	(9,677)	(4,527)	154,793	(5,783)

Income before income and social contribution taxes		719,482	417,864	787,936	414,654
Current income and social contribution taxes	23	(8,682)	(8,006)	(76,581)	(10,967)
Deferred income and social contribution taxes	23	(22,823)	(29,925)	(23,355)	(28,205)
Net income		687,977	379,933	688,000	375,482
Minority interest		-	-	1,016	(1,106)
Controlling shareholder equity interest		687,977	379,933	689,016	376,588
Earnings per thousand outstanding shares		1,022.65	561.14		

See the accompanying notes to the financial statements.

Sadia S.A.

Publicly-held Company

Statements of changes in shareholders* equity
Years ended December 31, 2007 and 2006

(In thousands of
 Reais)

Parent Company	Capital	Capital reserve		Profit reserves			Treasury shares	Retained earnings	Total
		Result on sale of treasury stock	Tax incentives and donations	Legal reserve	Expansion reserve	Research & development reserve			
Balances at December 31, 200	150,000	-	-	55,842	627,128	55,447	(10,377)	-	2,228,040
Acquisition of treasury stock	-	-	-	-	-	-	(23,427)	-	(23,427)
Sales of treasury stock	-	-	-	-	-	-	463	-	463
Gain on sale of treasury stock	-	5	-	-	-	-	-	-	5
Capital increase with reserves	-	-	-	-	-	-	-	-	-
Net income for the year	-	-	-	-	-	-	-	379,933	379,933

Destinations:

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Reserves	-	-	-	18,997	223,019	18,997	-	(261,013)	-
Interest on shareholders' equity/dividends	-	-	-	-	-	-	-	(118,920)	(118,920)
Balances at December 31, 2006	100,000	5	-	74,839	850,147	74,444	(33,341)	-	2,466,094
Capital increase with reserves	500,000	(5)	-	(37,000)	(425,995)	(37,000)	-	-	-
Acquisition of treasury stock	-	-	-	-	-	-	(51,240)	-	(51,240)
Sales of treasury stock	-	-	-	-	-	-	463	-	463
Gain on sale of treasury stock	-	17	-	-	-	-	-	-	17
Tax incentives	-	-	18,930	-	-	-	-	-	18,930
Donation	-	-	1,560	-	-	-	-	-	1,560
Net income for the year	-	-	-	-	-	-	-	687,977	687,977
Destinations:									
Reserves	-	-	-	34,399	412,595	34,399	-	(481,393)	-
Interest on shareholders' equity/dividends	-	-	-	-	-	-	-	(206,584)	(206,584)
Balances at December 31, 2007	100,000	17	20,490	72,238	836,747	71,843	(84,118)	-	2,917,217

See the accompanying notes to the financial statements.

Sadia S.A.

Publicly-held Company

Statements of changes in financial position
Years ended December 31, 2007 and 2006
(In thousands of Reais)

	Parent company		Consolidated	
Sources of funds				
Operations				
Net income for the year	687,977	379,933	688,000	375,482
Items not affecting working capital				
Minority interest	-	-	34,651	254
Depreciation, amortization and depletion	304,355	238,846	306,155	240,569
Goodwill amortization	20,774	25,763	20,774	25,763
Long term interest and variations	(67,214)	20,909	(457,299)	(69,683)
Residual cost on disposal of permanent assets	10,426	8,288	10,598	8,978
Tax incentives	18,930	-	18,930	-
Donations	1,560	-	1,560	-
Provision for contingencies	8,254	1,360	22,029	206
Employee benefit plan	11,240	13,181	11,240	13,181
Equity in earnings of subsidiaries	(477,449)	(208,228)	(4,966)	(4,227)
Exchange variations on foreign investments	-	-	99,655	(16,810)
Long term deferred taxes	10,224	40,186	10,224	40,186
	529,077	520,238	761,551	613,899
From third parties				
Increase in noncurrent loans and financing	407,570	592,791	1,430,106	1,387,870
Redemption of long-term investments	-	-	-	-
Proceeds obtained from the sale of fixed assets	3,394	14,915	3,636	14,967
Interest on shareholders' equity of subsidiaries	-	4,226	-	-
Transfer from long-term to current assets	57,134	36,264	57,133	4,567
Sale of treasury stock	463	463	463	463
Gain on sale of treasury stock	17	5	17	5

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Transfer from property plant and equipment to current assets	57,867	123,656	94,332	123,632
Increase in other long-term liabilities	119,125	627,489	26,931	3,106
Decrease in the other long-term assets	88,486	3,425	17,801	-
	734,056	1,403,234	1,630,419	1,534,610
Total sources	1,263,133	1,923,472	2,391,970	2,148,509
Applications of funds				
Long-term assets				
Long-term investments	40,015	-	40,015	-
Judicial deposit	(5,186)	(4,040)	(4,964)	(4,040)
Increase in other long-term assets	(18,283)	116,741	1,919	87,282
Decrease in other long-term liabilities	90,835	-	849,807	-
Investments	53,512	1,000	30,973	4,215
Property, plant and equipment	898,034	963,319	1,052,482	975,725
Transfer of current liabilities to property, plant and equipment	17,139	-	17,139	-
Deferred charges	27,135	60,724	32,448	79,653
Acquisition of treasury stock	51,240	23,427	51,240	23,427
Interest on shareholders* equity/dividends	206,584	118,920	206,584	118,920
Transfer of current assets to non current assets	20,798	54,960	20,797	54,960
Transfer of noncurrent liabilities to current liabilities	682,632	242,436	222,287	343,245
Total applications	2,064,455	1,577,487	2,520,727	1,683,387
(Decrease)/increase in working capital	(801,322)	345,985	(128,757)	465,122
Changes in working capital				
At end of year	(172,308)	629,014	2,335,647	2,464,404
At beginning of year	629,014	283,029	2,464,404	1,999,282
(Decrease)/increase in working capital	(801,322)	345,985	(128,757)	465,122

See the accompanying notes to the financial statements.

Sadia S.A.

Publicly-held Company

Statements of cash flows

Years ended December 31, 2007 and 2006*(In thousands of Reais)*

	Parent company		Consolidated	
Net income for the year	687,977	379,933	688,000	375,482
Adjustments to reconcile net income to cash generated by operating activities				
Variation in minority interest	-	-	34,651	254
Accrued interest, net of paid interest	(73,461)	29,748	(265,467)	(64,126)
Depreciation, amortization and depletion allowances	304,355	238,846	306,155	240,569
Goodwill amortization	20,774	25,763	20,774	25,763
Tax incentives	18,930	-	18,930	-
Equity in earnings of subsidiaries	(477,449)	(208,228)	(4,966)	(4,227)
Exchange variations on foreign investments	-	-	99,655	(16,810)
Deferred taxes	22,823	29,925	23,355	28,205
Contingencies	8,254	1,360	22,029	206
Result from the disposal of permanent assets	10,426	8,230	10,598	8,978
Variation in operating assets and liabilities				
Trade accounts receivable	177,464	(136,254)	192,012	(168,983)
Inventories	(75,253)	(63,131)	(84,482)	(91,964)
Recoverable taxes and other	82,089	(115,359)	(100,190)	(118,691)
Judicial deposits	5,186	4,040	4,964	4,040
Suppliers	89,322	3,984	90,666	7,527
Advances from subsidiaries	46,564	886,849	-	-
Taxes payable, salaries payable and others	84,896	11,214	102,129	43,763
Net cash generated by operating activities	932,897	1,096,920	1,158,813	269,986
Investment activities				
Funds from the sale of permanent assets	3,394	14,915	3,636	14,967

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Investments in subsidiaries	(53,512)	(1,000)	-	-
Purchase of property, plant and equipment	(925,169)	(1,024,043)	(1,084,930)	(1,055,378)
Acquisition of subsidiary	(16,020)	(485)	(16,020)	(485)
Short-term investments	(91,534)	(624,169)	(3,270,218)	(3,320,118)
Redemption of investments	3,692	562,510	3,231,915	3,167,532
Net cash from investment activities	(1,079,149)	(1,072,272)	(1,135,617)	(1,193,482)
Loans activities				
Loans received	790,764	1,276,661	2,534,009	2,862,349
Loans paid	(523,262)	(1,060,438)	(2,313,714)	(1,708,255)
Dividends paid	(106,755)	(169,871)	(106,755)	(169,871)
Loans with subsidiaries	87,672	3,425	-	-
Sale of treasury stock	463	463	463	463
Acquisition of treasury stock	(51,240)	(23,427)	(51,240)	(23,427)
Net cash from loans activities	197,642	26,813	62,763	961,259
Cash at beginning of year	200,177	148,716	234,069	196,306
Cash at end of year	251,567	200,177	320,028	234,069
Net increase in cash	51,390	51,461	85,959	37,763

See the accompanying notes to the financial statements.

Sadia S.A.

Publicly-held Company

Statements of consolidated added value

Years ended December 31, 2007 and 2006*(In thousands of Reais)*

	Consolidated	
Revenues/income	9,816,716	8,136,352
Wealth generated by operations	9,734,269	7,816,396
Sale of products, goods and services	9,734,269	7,816,396
Wealth from third parties	82,447	319,956
Other operating results	6,792	58,877
Financial income	20,520	250,053
Equity in earnings of subsidiaries	4,966	4,227
Exchange variations on foreign investments	(99,655)	16,810
Other nonoperating results	149,824	(10,011)
Raw materials acquired from third parties	(4,554,042)	(3,706,036)
Services rendered by third parties	(1,773,014)	(1,520,476)
Added value to be distributed	3,489,660	2,909,840
Distribution of added value		
Human resources	1,300,877	1,084,173
Interest on third-party capital	(82,870)	154,143
Government	1,252,165	1,016,230
Shareholders (dividends)	206,584	118,920

Retention	812,904	536,374
Depreciation/amortization/depletion	326,929	266,332
Retained profits	481,414	256,562
Other	4,561	13,480

See the accompanying notes to the financial statements.

Sadia S.A.

Publicly-held Company

Notes to the financial statements

Years ended December 31, 2007 and 2006

(In thousands of Reais)

1

1 Operations

The Company's main business activities are organized into four operational segments: processed products, poultry (chickens and turkeys), pork and beef. The large production chain permits its products to be commercialized in Brazil and abroad by retailers, small groceries and food service chains.

The Company distributes its products through a large number of sales points in the local market and exports to countries in Europe, the Middle East, Eurasia, Asia and the Americas. The Company has 14 industrial units and 16 distribution centers located in 14 Brazilian states.

The industrially processed products segment has been the principal focus of the Company's investments in recent years and comprises products such as oven-ready frozen food, refrigerated pizzas and pasta, margarine, industrially processed poultry and pork by-products, crumbed products, a diet line and pre-sliced ready-packed products and desserts.

The Company has a corporate governance tier one listing for its shares on the São Paulo Stock Exchange, the Madrid Stock Exchange (Latibex) and ADRs negotiated on the New York Stock Exchange (NYSE).

2

2 Preparation and presentation of the financial statements

The individual and consolidated financial statements are presented in thousands of Reais, unless otherwise states and were prepared in accordance with accounting practices derived from the Brazilian Corporation Law and the rules of the Brazilian Securities and Exchange Commission (CVM).

With the objective of presenting the information provided to the market better, the Company is presenting supplementary consolidated information, obtained from accounting records of the parent company and its subsidiaries, as follow:

Sadia S.A.

Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

a. Segment reporting

A segment is a group of asset and liabilities set by the Company to manage its businesses and similar in aspects such as productive process or nature of the products or services (business segment) in a particular economic environment (geographic segment).

b. Statement of cash flows

The cash flows were prepared in accordance with NPC 20 - Statement of Cash Flows, issued by IBRACON (Brazilian Institute of Independent Auditors).

c. Statement of added value

The value added statement has been presented in accordance with the model proposed by the foundation Instituto de Pesquisa Contábeis, Atuariais e Financeiras - University of Sao Paulo the aim of which is to show the value of the wealth generated by the Company and its distribution among the elements that contributed to its generation.

3

3 Description of significant accounting policies

a. Statement of income

Income and expenses are recognized on the accrual basis. Revenue from the Company's sales is recognized upon shipment of the products and when the following conditions are met:

i) the ownership is transferred and therefore risk of loss has passed to the client; ii) collection is probable; iii) there is evidence of an arrangement; and iv) the sales price is fixed or determinable. In addition, the Company offers sales incentives and discounts through various programs to customers, which are accounted for as a reduction of revenue in Sales deductions. Sales incentives include volume-based incentive programs and payments to customers for performing marketing activities on our behalf.

Sadia S.A.

Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

b.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies were translated into reais at the foreign exchange rate ruling at the balance sheet date and the foreign exchange differences arising on translation are recognized in the statement of income for the year.

c.

Accounting estimates

The preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment, deferred charges, allowance for doubtful accounts, inventories, deferred tax assets and liabilities, provision for contingencies, valuation of derivative instruments, and assets and liabilities related to employees' benefits. The settlement of

transactions involving these estimates may result in different amounts due to the lack of precision inherent to the process of their determination. The Company reviews the estimates and assumptions periodically.

d.

Long and short-term investments

Investment funds in local and foreign currency are recorded at market value according to the respective shares price at the date of the financial statements.

Other long and short-term investments in local and foreign currency are recorded at cost plus income accrued up to the balance sheet date, not exceeding market value.

Additionally, the portion receivable from currency swap contracts is recorded at the difference between the nominal amounts of these contracts and the amounts restated by the variation of the foreign currency, plus interest earned up to the balance sheet date.

Sadia S.A.

Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

e.

Trade accounts receivable

Trade accounts receivable are recorded at the amount invoiced and interest is not levied. The allowance for doubtful accounts is the best estimate the Company has and is considered sufficient by management to cover any losses arising on collection of accounts receivable. Accounts receivable are written off against the allowance for doubtful accounts after all means of collection have been exhausted and the possibility of recovery of the amounts receivable is considered remote.

f.

Inventories

Finished goods, livestock (excluding breeders), work-in-progress, raw materials and supplies and others are valued at the lower of cost of acquisition or production (average method), or replacement or realization. The cost of finished goods and work-in-progress includes raw materials acquired, labor, production expenses, transport and storage

relating to the purchase and production of inventories. Normal production losses in hog stock and poultry are inventoried and abnormal losses are expensed immediately as cost of goods sold.

g.

Investments

Investments in subsidiaries in Brazil and abroad are valued using the equity method based on the respective net equity calculated on the same date, as disclosed in Note 10.

The financial statements of foreign subsidiaries are translated into Brazilian Reais, based on the following criteria:

- Balance sheet accounts at the exchange rate at the end of the year.
- Statement of income accounts at the exchange rate at the end of each month.

Other investments are valued at cost less a provision for devaluation considered as permanent.

Sadia S.A.

Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

h. Property, plant and equipment

Property, plant and equipment are recorded at cost of acquisition, formation or construction, including the interest incurred on financing, during the period of construction, modernization and expansion of the industrial units. Expenditures that materially extend the useful lives of existing facilities and equipment are capitalized. Depreciation is calculated using the straight-line method at rates that take into account the estimated useful life of the assets, adjusted in keeping with the work shifts, as disclosed in Note 11. Depletion of forestry resources is calculated based on the extraction of timber and the average costs of the forests.

Breeding stock is recorded at the cost of formation which includes the appropriation of costs of the breeding hens, animal feed, medication and labor. These costs are accumulated for approximately six months until the breeding stock initiates the breeding cycle. From then on, the costs of the breeding stock begin to be amortized by the estimated number of off springs. The productive cycle ranges from fifteen to thirty months.

i. Impairment of long lived assets

The Company reviews its non current assets to verify possible impairment losses, whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable based on future cash flows. If these events occur, the reviews will be conducted at the lowest level of groups of assets for which the Company manages to attribute future cash flows. If the carrying amount of an asset is higher than the future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Until now, these reviews have not indicated the need to recognize impairment losses.

j. Deferred charges

Deferred charges are represented substantially by pre-operating costs , eorganization charges and development of new products and markets, which are amortized on a straight-line basis over 5 years as from the beginning of operation.

Sadia S.A.

Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

k. Current and noncurrent liabilities

Current and noncurrent liabilities are stated at known or estimated amounts, plus related charges and monetary and exchange variations up to the balance sheet date.

l. Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

m. Income and social contribution taxes

The income and social contribution taxes, both current and deferred, are calculated monthly based on taxable income at the rates of 15% plus a surcharge of 10% for income tax and 9% for social contribution and consider the offsetting

of tax losses and negative basis of social contribution, limited to 30% of taxable income.

The deferred tax assets were recorded in accordance with CVM Instruction 371/02 and are represented significantly by temporary differences arising from non-deductible provisions, including tax loss carryforward and negative basis of social contribution.

n. Employees benefits

Employees benefits are recorded based on actuarial studies prepared annually at the end of the year in compliance with CVM Deliberation 371/00.

o. Environmental

Our production facilities and our forestry activities are subject to government environmental regulations. We have reduced the risks associated with environmental questions through operational controls and procedures, as well as investments in equipment and systems for pollution control. We believe that no provision for losses related to environmental questions is currently necessary, based on existing Brazilian laws and regulations.

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Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

p. Tax incentives

The Company has tax incentives granted by the governments of the states of Minas Gerais and Mato Grosso where some of its industrial plants are located, which will expire between 2014 and 2020. Until March 31, 2007, these incentives were recognized in the income for the year, since they were not directly related to the Company's investment projects. The Company has been investing in a project to expand and modernize its production units, which consists of an increase in installed capacity, expansion of its industrial units, an increase in production and generation of jobs. As from April 2007, these states have tied the incentives to investments, which led the Company to record them in Capital Reserves in shareholders' equity. The amount recorded for these incentives at December 31, 2007 was R\$18,930.

q. Reclassifications

During 2007, management decided to reclassify the software expenses from deferred charges to fixed assets. For comparison purposes, the amounts of R\$67,679 in the parent company and R\$68,286 in the consolidated financial statements, related to the 2006 amounts, were also reclassified.

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4 Consolidated financial information

The transactions and balances between the Parent company and its subsidiaries included in the consolidation process have been eliminated and the non-realized profit arising from the sales to the subsidiaries were excluded and incorporated to the inventory balances for each year. Minority interests were excluded from shareholders' equity and net income and are presented separately in the consolidated balance sheets and income statements.

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Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

In accordance with the CVM Instruction 408/04, the Company consolidated the financial statements of its investment fund Concórdia Foreign Investment Fund Class A (Taurus Fund Limited was also consolidated at December 31, 2006 and during 2007 has been incorporated by Concórdia Foreign Investment Fund Class A), where it is the wholly investment holder. This investment fund has the sole purpose of centralizing the foreign investment fund portfolio, delegating to a third party the administrative functions and maximizing shareholder returns. As of December 31, 2007 and 2006, these investment funds were consolidated in the Company's financial statements as they had loans collateralized by its own financial assets.

The consolidated financial statements include the accounts of Sadia S.A. and its direct and indirect subsidiaries, including investments in joint ventures. The consolidated direct or indirect subsidiaries and the corresponding shareholdings of the Company are as follows:

	Shareholdings in % at	
	2007	2006
Sadia International Ltd.	<u>100.00</u>	<u>100.00</u>
Sadia Uruguay S.A.	100.00	100.00
Sadia Alimentos S.A.	-	1.00
Sadia Chile S.A.	60.00	60.00
Sadia Alimentos S.A.	95.00	99.00
Churrascaria Beijing Brazil Ltd. (b)	-	50.00
Concórdia Foods Ltd.	100.00	100.00

Sadia UK Ltd.	100.00	100.00
Concórdia S.A. C.V.M.C.C. (e)	<u> -</u>	<u> 99.99</u>
Big Foods Indústria de Produtos Alimentícios Ltda. (g)	<u>100.00</u>	<u> -</u>
Empresa Matogrossense de Alimentos Ltda. (a)	<u> -</u>	<u>100.00</u>
Intergen Ltda. (a)	<u> -</u>	<u>100.00</u>
Rezende Óleo Ltda.	<u>100.00</u>	<u>100.00</u>
Rezende Marketing e Comunicações Ltda.	0.09	0.09
Rezende Marketing e Comunicações Ltda.	<u> 99.91</u>	<u> 99.91</u>

Sadia S.A.

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Notes to the financial statements

(In thousands of Reais)

	<u>Shareholdings in % at</u>	
	2007	2006
Sadia Overseas Ltd. (c)	<u>100.00</u>	<u>—</u>
Concórdia Holding Financeira S.A. (d)	100.00	-
Concórdia S.A. C.V.M.C.C.	99.99	-
Sadia GmbH	100.00	100.00
Wellax Food Logistics C. P. A. S. U. Lda.	100.00	100.00
Sadia Foods GmbH	100.00	100.00
Qualy B. V.	100.00	100.00
Sadia Panama S.A.	100.00	100.00
Sadia Japan Ltd.	100.00	100.00
Investeast Ltd. (f)	60.00	-
Concórdia Ltd. (f)	100.00	-

- (a) Investment incorporated on January 12, 2007
- (b) Investment terminated on January 31, 2007
- (c) Company established on May 15, 2007.
- (d) Company established on June 27, 2007.
- (e) Shareholding control changed on August 27, 2007.
- (f) Acquired of controlling and payment of capital on October 29, 2007
- (g) Acquired of controlling on December 3, 2007

Reconciliation of shareholders' equity and net income between the Company and consolidated is as follows:

	<u>Net income</u>		<u>Shareholders' equity</u>	
	2007	2006	2007	2006
Company's financial statements	687,977	379,933	2,917,217	2,466,094
Elimination of unrealized profits on inventories in intercompany operations, net of taxes	(6,697)	(7,736)	(14,433)	(12,127)
Reversal of the elimination of unrealized results in inventories, net of taxes, resulting from intercompany operations at December 31, 2006 and 2005	<u>7,736</u>	<u>4,391</u>	<u>7,736</u>	<u>4,391</u>
Consolidated financial statements	<u>689,016</u>	<u>376,588</u>	<u>2,910,520</u>	<u>2,458,358</u>

Sadia S.A.

Publicly-held Company

Notes to the financial statements

*(In thousands of Reais)***5****5 Long and short-term investments**

	Interest % (annual average)	Parent company		Consolidated	
		2007	2006	2007	2006
<i>Short-term investments</i>					
Local currency					
Investment funds	11.15	234,693	214,000	420,239	259,697
Treasury bills - LFT	12.00	50,668	-	50,668	-
Others	11.18	<u>-</u>	<u>-</u>	<u>3,051</u>	<u>-</u>
		<u>285,361</u>	<u>214,000</u>	<u>473,958</u>	<u>259,697</u>
Foreign currency					
Investment funds	9.86	143,918	157,535	1,211,583	1,689,498
Interest-bearing current accounts	5.35	20	-	357,576	232,913
Interest rate swap contracts	-	<u>-</u>	<u>-</u>	<u>6,164</u>	<u>5,298</u>

		<u>143,938</u>	<u>157,535</u>	<u>1,575,323</u>	<u>1,927,709</u>
Total short-term		<u>429,299</u>	<u>371,535</u>	<u>2,049,281</u>	<u>2,187,406</u>
<i>Long-term investments</i>					
Local currency					
Investment funds	11.15	100,474	53,992	100,474	53,992
National Treasury Certificate - CTN	12.00	35,568	29,849	35,568	29,849
Treasury bills - LFT	12.00	<u> -</u>	<u>45,286</u>	<u> -</u>	<u>45,286</u>
Total long-term		<u>136,042</u>	<u>129,127</u>	<u>136,042</u>	<u>129,127</u>

Long-term investments as of December 31, 2007 mature as follows:

Maturity

2009	100,474
2013 onwards	<u>35,568</u>
	<u>136,042</u>

Sadia S.A.

Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

The investment fund portfolio in local currency is composed mainly of post-fixed Bank Deposit Certificates, National Treasury Securities and investment funds.

The investment fund portfolio in foreign currency is composed mainly of investments in dual currency, which have differentiated profitability according to the strike negotiated, and structured notes issued by first-tier American and European banks, pegged to securities of first-tier Brazilian companies and banks.

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6 Accounts receivable

Parent company		Consolidated	
2007	2006	2007	2006

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Foreign

Customers	104,149	156,818	235,424	391,477
Subsidiaries	<u>84,453</u>	<u>167,950</u>	<u>—</u>	<u>—</u>
Total of foreign	<u>188,602</u>	<u>324,768</u>	<u>235,424</u>	<u>391,477</u>

Domestic

Customers	253,604	301,877	258,274	302,055
Subsidiaries	<u>1,303</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total of domestic	<u>254,907</u>	<u>301,877</u>	<u>258,274</u>	<u>302,055</u>

(-) Allowance for doubtful accounts	(<u>3,565</u>)	(<u>9,237</u>)	(<u>7,112</u>)	(<u>14,934</u>)
	<u>439,944</u>	<u>617,408</u>	<u>486,586</u>	<u>678,598</u>

Sadia S.A.

Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

The changes in the allowance for doubtful accounts are as follows:

	Parent company		Consolidated	
	2007	2006	2007	2006
Balance at the beginning of the year	(9,237)	(9,367)	(14,934)	(10,627)
Additions to the provision	(1,046)	(7,855)	(2,359)	(6,435)
Write offs	<u>6,718</u>	<u>7,985</u>	<u>10,181</u>	<u>2,128</u>
Balance at the end of the year	<u>(3,565)</u>	<u>(9,237)</u>	<u>(7,112)</u>	<u>(14,934)</u>

The Company and its subsidiaries abroad (Sadia International Ltd. and Wellax Food Logistics C.P.A.S.U. Lda.) entered into an agreement for sale of its receivables with an outside financial institution up to the maximum amount of US\$200 million, with interest rate of 0.26% p.a. + LIBOR.

As of December 31, 2007, the amount of receivables sold under this agreement amounted to approximately R\$ 354 million (R\$ 170 million as of December 31, 2006). During the year ended December 31, 2007, the Company received cash proceeds of approximately R\$ 3,578 million (R\$ 1,910 million for the year ended December 31, 2006) and incurred expenses of R\$ 16 million (R\$ 14 million in 2006) with respect to this agreement.

A credit insurance policy covering 90% of the value of the receivables was taken out with third parties and the beneficiaries in the event of default are the contracting financial institutions.

The Company also assigned receivables to a Credit Assignment Investment Fund (FIDC), administered by Concórdia S.A. Corretora de Valores Mobiliários, Câmbio e Commodities. As of December 31, 2007, the net equity of this fund was R\$ 497,854 (R\$ 264,949 at December 31, 2006), of which R\$ 347,763 (R\$ 254,861 at December 31, 2006) were represented by acquisitions of the Company's receivables on the domestic market, with a discounted cost equivalent to 95% of the CDI per senior quota. The assignment of the receivables is made without right of recourse, and the eventual losses from default for Sadia are limited to the value of the subordinated quotas, which at December 31, 2007, represented R\$ 99,571 (R\$ 53,992 at December 31, 2006).

Sadia S.A.

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Notes to the financial statements

(In thousands of Reais)

During the year ended December 31, 2007, the Company received cash proceeds related to the local receivables sold of approximately R\$ 3,447 million (R\$ 2,795 million in 2006) and incurred expenses of R\$ 28 million (R\$ 30 million in 2006) with respect to this agreement.

For the other local receivables, the Company maintains a credit insurance policy that guarantees the collection in case of default of 90% of the uncollected amounts for customers with approved credit limits and up to R\$ 100 to new customers or customers with no approved credit limits.

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7 Inventories

	Parent company		Consolidated	
	2007	2006	2007	2006
Finished goods and products for sale	264,535	279,969	333,203	351,186
Livestock and poultry for slaughter and sale	291,521	304,561	291,521	304,561
Work in process	219,335	158,284	224,661	158,284
Raw materials	205,089	187,543	208,216	188,864

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Packaging materials	44,003	33,653	44,945	33,653
Storeroom	28,911	25,665	32,338	25,665
Advances to suppliers	29,735	12,654	29,944	12,879
Imports in transit	3,800	9,352	3,800	9,352
Products in transit	<u>15</u>	<u>10</u>	<u>308</u>	<u>10</u>
	<u>1,086,944</u>	<u>1,011,691</u>	<u>1,168,936</u>	<u>1,084,454</u>

Sadia S.A.

Publicly-held Company

Notes to the financial statements

*(In thousands of Reais)***8****8 Recoverable taxes**

	Parent company		Consolidated	
	2007	2006	2007	2006
ICMS	232,286	145,291	233,079	145,978
IVA	-	-	65,966	4,085
PIS and COFINS	95,390	84,290	95,906	84,619
IPI	43,882	59,142	43,916	59,175
INSS	26,545	-	26,545	-
Income and social contribution taxes	22,366	33,416	25,629	37,679
Others	<u>-</u>	<u>3</u>	<u>52</u>	<u>40</u>
	<u>420,469</u>	<u>322,142</u>	<u>491,093</u>	<u>331,576</u>
Short-term portion	<u>256,717</u>	<u>160,905</u>	<u>325,868</u>	<u>169,347</u>
Long-term portion	<u>163,752</u>	<u>161,237</u>	<u>165,225</u>	<u>162,229</u>

a. Value-added tax on sales and services - ICMS

Composed of credits generated by the commercial operations and by the acquisition of property, plant and equipment, of a number of the Company's units and can be offset with taxes of the same nature.

b. Value-added tax - IVA

Composed of credits generated by the commercial operations in the foreign subsidiaries, which will be compensated with taxes of the same nature or cash reimbursements.

c. Social contributions - PIS/COFINS

The balance is composed from noncumulative collection of PIS and COFINS, and these credits may be compensated with other federal taxes.

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Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

d. Excise tax - IPI

Composed of amounts arising from the following operations: presumed credit on packaging and inputs, presumed credit for reimbursement of PIS/PASEP and COFINS on exportations and export incentives, which can be compensated with other federal taxes.

e. National Institute of Social Security - INSS

As reported in note 20, the balance relates to credits originated from the Funrural charge on operations related to the production of poultry, which can be compensated with contributions of the same nature.

f. Income and social contribution taxes

Correspond to income tax withheld at source on short-term financial investments and income tax and social contributions paid in advance that can be offset with federal taxes and contributions.

9

9 Related party transactions

Related party transactions refers to mainly of sales operations between the Company and its subsidiaries, which were performed under normal market conditions for similar types of operations. The balance sheet and income statement transactions between related parties are shown below:

	2007	2006
Accounts receivable		
Wellax Food Logistics C. P. A. S. U. Ltda.	54,277	143,197
Sadia International Ltd.	14,819	17,744
Qualy B.V.		8,301 299
Sadia Alimentos S.A.	3,536	2,265
Sadia Uruguay S.A.	2,049	1,642
Sadia Chile S.A.	1,471	2,803
Big Foods Ind. Prod. Alimentícios Ltda.	<u>1,303</u>	<u>-</u>
	<u>85,756</u>	<u>167,950</u>

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Sadia S.A.

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Notes to the financial statements

*(In thousands of Reais)***Interest on shareholders equity**

Concórdia C.V.M.C.C.	_____ -	_____ 4,226
	_____ -	_____ 4,226

Loans

Concórdia Holding Financeira S.A.		2,408 -
Sadia GmbH		2,123 -
Rezende Óleo Ltda.		881 874
Rezende Marketing e Comunicação Ltda.		59 57
Sadia International Ltd.	(191)	(231)
Wellax Food Logistics C. P. A. S. U. Ltda.	-	91,482
Empresa Matogrossense de Alimentos Ltda.	-	769
Concórdia S.A. CCVMCC	_____ -	_____ 1
	_____ 5,280	_____ 92,952

Advances from subsidiaries

Wellax Food Logistics C. P. A. S. U. Ltda.	(1,791,595)	(1,744,718)
Sadia International Ltd.	(____ 1,532)	(____ 1,845)
	(1,793,127)	(1,746,563)

Sales

Wellax Food Logistics C. P. A. S. U. Ltda.	2,239,184	1,881,303
Sadia International Ltd.	217,753	168,259
Qualy B. V.	58,805	25,603
Sadia Alimentos S.A.	14,079	10,556
Sadia Chile S.A.	14,046	15,366
Sadia Uruguay S.A.	6,311	5,499
Big Foods Ind. Prod. Alimentícios Ltda.	1,122	-
Concórdia Ltd.	479	-

2,551,779 2,106,586

Net financial result

Wellax Food Logistics C. P. A. S. U. Lda.

186,413 (2,267)

Sadia International Ltd.

313 160

186,726 (2,107)

Sadia S.A.

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Notes to the financial statements

*(In thousands of Reais)***10****10 Investments**

Investments	Ownership	Shareholder s(loss) for Equity			Investment	
		equity	Net income the year result		2007	2006
Sadia GmbH	100.00	1,466,776	446,587	363,774	1,466,776	1,103,002
Concórdia Hoding Financeira S.A.	100.00	174,517	104,955	104,956	174,517	-
Sadia International Ltd.	100.00	91,049	18,869	2,214	91,049	88,835
Big Foods Ind. de Produtos Alimentícios Ltda.	100.00	16,844	1,192	1,192	16,844	-
Rezende Óleo Ltda.	100.00	368	(744)	(744)	368	1,112
Concórdia S.A. CVMCC	99.99	-	108,896	7,608	-	61,943
Rezende Market. e Comun. Ltda.	99.91	(28)	(1)	(1)	-	-
Sadia Overseas Ltd.	100.00	(1,548)	(1,688)	(1,550)	-	-
Empresa Matogrossense de Alimentos Ltda.				-	-	780
Intergen Ltda.				-	-	571
Total in subsidiaries				477,449	1,749,554	1,256,243

Goodwill	-	45,902	28,828
Other investments	<u>-</u>	<u>1,359</u>	<u>1,385</u>
 Total investments of the Parent Company	 477,449	 1,796,815	 1,286,456
Other investments of subsidiaries/affiliates	-	18,526	25,375
Investments eliminated on consolidation	(572,138)	(1,749,554)	(1,256,243)
 Total consolidated investments	 <u>(94,689)</u>	 <u>65,787</u>	 <u>55,588</u>

Sadia S.A.

Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

The changes in the investments are as follows:

	Shareholding result							
	Acquisition	Write offs	Financial resources	Amortization	Negative equity	Dividends received	Operational	Non operational
Sadia G.m.b.H.	-	-	-	-	-	-	363,774	-
Concórdia Holding Fin. S.A.	10	-	69,551	-	-	-	104,956	-
Sadia International Ltd.	-	-	-	-	-	-	2,214	-
Concórdia S.A. CVMCC	-	(69,551)	-	-	-	-	3,824	3,784
Rezende Óleo	-	-	-	-	-	-	(744)	-

Ltda.								
Rezende Market. Comun. Ltda.	-	-	-	1	-	(1)	-	-
Sadia Overseas Ltd.	2	-	-	1,548	-	(1,550)	-	-
Empresa Matogrossense de Alimentos Ltda.	-	-	-	-	-	(780)	-	-
Intergen Ltda.	-	-	-	-	-	(571)	-	-
Big Foods Ind. de Produtos Alimentícios Ltda.	<u>15,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,192</u>	<u>-</u>
	15,664	(69,551)	69,551	-	1,549	(1,351)	473,665	3,784
Goodwill	37,848	-	-	(20,774)	-	-	-	-
Other investments	<u>-</u>	<u>(26)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>53,512</u>	<u>(69,577)</u>	<u>69,551</u>	<u>(20,774)</u>	<u>1,549</u>	<u>(1,351)</u>	<u>473,665</u>	<u>3,784</u>

The accumulated income from equity interest on the consolidated financial statements is represented by translation losses of R\$ 99,655 and a non-operating gains of R\$ 4,966.

On January 12, 2007 the Extraordinary General Meeting approved the Board's proposal to incorporate the wholly owned subsidiaries Empresa Matogrossense de Alimentos Ltda. and Intergen Ltda., in order to obtain operating and corporate synergies. This will result in reduction of administrative to expenses due to rationalization of administrative and operating activities.

On January 31, 2007, the Company closed down Churrascaria Beijing Brasil Co. Ltd., in Peking, a joint venture between Sadia International Ltd. and the Chinese government. On the same day it approved the opening of a commercial agency office of the subsidiary Wellax Food Logistic Comércio de Produtos Alimentares Sociedade Unipessoal Ltd. in Shanghai. The liquidation process did not generate any losses for the Company as the book value of R\$480 was reimbursed.

On May 15, 2007 Sadia Overseas Ltd. was established with the objective of raising and passing on the funds obtained from the issuing of bonds on the international market. The Company was established with capital of US\$1 thousand, which was totally paid in by Sadia S.A.

Sadia S.A.

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Notes to the financial statements

(In thousands of Reais)

On June 27, 2007 the establishment of Concórdia Holding Financeira S.A. was approved by the Company's Board of Directors to operate in the financial and similar segments. The company was established with initial paid-in capital of R\$10 thousand, and 99.7% of its capital was paid in by Sadia S.A. and the remaining 0.03% by individuals.

On August 27, 2007, Concórdia Holding Financeira S.A. increased its capital with the issue of 6,955,134 ordinary, nominative shares, with no par value, which were subscribed in full by Sadia S.A., through the exchange of 999,990 shares it owned, representing 99.99% of the capital in Concórdia S.A. Corretora de Valores Mobiliários, Câmbio e Commodities.

On October 29, 2007, the wholly owned subsidiary Sadia GmbH acquired 60% of the quotas from the capital in Investeast Ltd., for the amount of US\$ 17. On November 8, 2007, Investeast Ltd. increased its capital with the issue of 23,666,666 quotas, of which Sadia GmbH contributed with 60% corresponding to its investment interest, for the amount of US\$14,200 thousand. Investeast Ltd. holds 100% of the capital in Concórdia Ltd., an industrial unit, located in the Russian city of Kaliningrado inaugurated in December 2007, with the start of trade operations forecasted for January 2008.

On December 03, 2007, the Company purchased 100% of the quotas representing the capital of Big Foods Indústria de Produtos Alimentícios Ltda., for the amount of R\$53,500, the goodwill calculated on the purchase, of R\$37,848, which is based on future profitability, will be amortized over a period of five years. The industrial unit is located in Tatuí - SP, and includes a factory for industrialized frozen products, ready-to-eat sandwiches, lasagnas, pizzas, bread, savory foods, cheese breads and baking products.

On December 31, 2007, the net balance of goodwill amounted to R\$ 45,902 and was comprised of: i) goodwill related to the acquisition of Big Foods Indústria de Produtos Alimentícios Ltda. in the amount of R\$ 37,848 and ii) goodwill

related to the acquisition of Empresa Matogrossense de Alimentos Ltda. (start-up phase) in the amount of R\$ 8,054, that will be amortized once it starts its operations forecasted for the beginning of 2009. Such goodwill has been recorded based on projections of future profitability, to be amortized over a period of up to five years

Sadia S.A.

Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

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11 Property, plant and equipment

Parent company

	Annual average %	Cost Depreciation		Residual amount	
		2007	2007	2007	2006
Lands	-	108,125	-	108,125	104,450
Buildings	4	1,139,567	(389,417)	750,150	491,643
Machinery and equipment	15	1,473,270	(671,304)	801,966	591,577
Installations	10	473,099	(168,343)	304,756	173,867
Vehicles	20	10,511	(7,213)	3,298	4,972
Breeding stock	-	463,056	(298,753)	164,303	120,975
Software implementation	20	92,396	(35,998)	56,398	67,679
Construction in progress	-	559,565	-	559,565	623,595
Forestation and reforestation	-	39,605	(4,632)	34,973	25,387
Advances to suppliers	-	4,664	-	4,664	35,177
Others	-	<u>982</u>	<u>(931)</u>	<u>51</u>	<u>146</u>
		<u>4,364,840</u>	<u>(1,576,591)</u>	<u>2,788,249</u>	<u>2,239,468</u>

Consolidated

	Annual average %	Cost Depreciation		Residual amount	
		2007	2007	2007	2006
Lands	-	108.125	-	108.125	104,665
Buildings	4	1.148.799	(392.473)	756.326	492,199
Machinery and equipment	15	1.495.523	(680.572)	814.951	593,251
Installations	10	477.700	(169.099)	308.601	176,867
Vehicles and plane	27	18.569	(8.743)	9.826	12,102
Breeding stock	-	463.122	(298.753)	164.369	121,103
Software implementation	20	92.584	(36.118)	56.466	68,286
Construction in progress	-	678.476	-	678.476	637,879
Forestation and reforestation	-	39.605	(4.632)	34.973	25,387
Advances to suppliers	-	5.018	-	5.018	35,177
Others	-	<u>3.112</u>	<u>(2.029)</u>	<u>1.083</u>	<u>769</u>
		<u>4.530.633</u>	<u>(1.592.419)</u>	<u>2.938.214</u>	<u>2,267,685</u>

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