OLAM INTERNATIONAL LIMITED

Financial Statements for the Second Quarter and Half Year Ended 31st December 2005

PART I: **Information required for announcements of Quarterly (Q1, Q2 & Q3), Half-Year and Full Year Results.**

1(a) An income statement [for the ("Group") - Olam International Limited ("Company") and its subsidiaries] together with a comparative statement for the corresponding period of the immediately preceding financial year.

Profit & Loss Statement – First Half FY2006 : Group

(in S$'000)	Group			Group		
	Half Year Ended			Three Months Ended		
	31 Dec 05	31 Dec 04	%	31 Dec 05	31 Dec 04	%
Revenue						
Sales of goods	1,916,985	1,456,594		1,203,266	959,362	
Other revenue	9,558	3,709		5,136	3,315	
	1,926,543	**1,460,303**	**32%**	**1,208,402**	**962,677**	**26%**
Costs and expenses						
Cost of goods sold	1,489,718	1,111,690		975,003	774,438	
Shipping and logistics	243,992	228,260		121,208	111,916	
Commission and claims	29,463	15,347		17,040	7,524	
Staff costs	25,272	17,878		14,019	8,765	
Share-based compensation	841	-		785	-	
Depreciation	5,355	3,166		2,917	1,985	
Measurement of derivative instruments	2,683	-		2,145	-	
Loss/(gain) on foreign exchange	3,827	(1,738)		(2,720)	(852)	
Other operating expenses	42,177	37,599		21,166	22,832	
	1,843,328	**1,412,202**		**1,151,563**	**926,608**	
Profit from operating activities	**83,215**	**48,101**	**73%**	**56,839**	**36,069**	**58%**
Finance costs	(49,008)	(22,354)	**119%**	(29,904)	(14,591)	**105%**
Share of gain/(loss) of jointly controlled entity	37	(62)		7	(26)	
Profit before taxation	**34,244**	**25,685**	**33%**	**26,942**	**21,452**	**26%**
Taxation	(3,596)	(3,082)		(2,829)	(2,574)	
Profit for the financial period	**30,648**	**22,603**	**36%**	**24,113**	**18,878**	**28%**

Notes:

(in S$'000)	Group			Group		
	Half Year Ended			Three Months Ended		
	31 Dec 05	31 Dec 04	%	31 Dec 05	31 Dec 04	%
Other operating expenses include bank charges of	8,885	10,541		4,356	8,506	
Other revenue includes interest income of	3,042	293		2,162	57	
Gross Contribution	144,971	95,848	**51%**	89,216	61,062	**46%**
Net Contribution	99,005	73,787	**34%**	61,474	46,528	**32%**

1(b)(i) A Balance Sheet (for the Issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

Balance Sheet: Group & Company

(in S$'000)	**Group**		**Company**	
	31 Dec 2005	**30 Jun 2005**	**31 Dec 2005**	**30 Jun 2005**
Fixed assets	54,368	39,166	1,343	665
Subsidiary companies	-	-	36,658	50,120
Deferred tax assets	3,808	860	3,647	717
Investments	1,923	1,484	2,009	1,606
Current assets				
Amounts due from subsidiary companies	-	-	208,681	200,314
Trade debtors	524,308	649,179	419,817	531,810
Margin accounts with brokers	45,689	57,335	45,689	57,079
Stocks	1,041,038	1,019,025	293,662	314,035
Advance payment to suppliers	255,184	90,881	134,989	51,940
Advance payment to subsidiary companies	-	-	846,367	619,878
Other debtors	263,557	117,617	196,361	53,250
Fixed deposits	114,841	61,655	80,554	60,897
Cash & bank balances	132,001	103,712	53,821	21,082
	2,376,618	**2,099,404**	**2,279,941**	**1,910,285**
Current liabilities				
Trade creditors and accruals	110,962	175,026	48,392	130,395
Other creditors	182,869	9,789	179,413	7,368
Amount due to bankers	984,213	1,187,967	950,465	1,075,752
Medium term notes	343,012	262,780	343,012	262,780
Provision for taxation	8,500	8,627	2,628	4,817
	1,629,556	**1,644,189**	**1,523,910**	**1,481,112**
Net current assets	747,062	455,215	756,031	429,173
Term loans from banks	(227,453)	-	(227,453)	-
Long term medium term notes	(136,134)	-	(136,134)	-
	443,574	**496,725**	**436,101**	**482,281**
Share capital	155,459	155,459	155,459	155,459
Reserves	342,162	340,151	334,903	325,707
Fair value adjustment reserves	(56,003)	-	(56,217)	-
Share-based compensation reserves	1,956	1,115	1,956	1,115
	443,574	**496,725**	**436,101**	**482,281**

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

	As at 31/12/2005		As at 30/06/2005	
	Secured	Unsecured	Secured	Unsecured
	(in S$'000)	(in S$'000)	(in S$'000)	(in S$'000)
Overdrafts	-	22,539	-	77,558
Loans	-	961,674	-	1,110,409
Medium term notes	-	343,012	-	262,780
Total	**-**	**1,327,225**	**-**	**1,450,747**

Amount repayable after one year

	As at 31/12/2005		As at 30/06/2005	
	Secured	Unsecured	Secured	Unsecured
	(in S$'000)	(in S$'000)	(in S$'000)	(in S$'000)
Long term loans from banks	-	227,453	-	-
Long term medium term notes	-	136,134	-	-
Total	**-**	**363,587**	**-**	**-**

Details of any Collateral

N/A

1(c) A Cash Flow Statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

(in S$'000)	Group Half Year Ended		Group Three Months Ended	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Cash flow from operating activities				
Operating profit before taxation	34,244	25,685	26,942	21,452
Adjustments for:				
Share of (gain)/loss of jointly controlled entity	(37)	62	(7)	26
Depreciation of fixed assets	5,355	3,166	2,917	1,985
Gain on disposal of assets	-	-	(6)	-
Measurement of derivative instruments	2,683	-	2,145	-
Share-based payment expense	841	-	785	-
Interest income	(3,042)	(293)	(2,162)	(57)
Interest expense	49,008	22,354	29,904	14,591
Operating profit before reinvestment in working capital	**89,052**	**50,974**	**60,518**	**37,997**
Decrease in amount due from a related party	-	3,000	-	3,000
Increase in stocks	(22,013)	(140,827)	(7,438)	(117,232)
Decrease / (increase) in debtors	93,742	24,682	(147,158)	(128,986)
Increase in advance payment to suppliers	(164,303)	(94,315)	(65,974)	(36,563)
(Decrease) / increase in creditors	(64,237)	(64,020)	19,035	22,018
Cash used in operations	**(67,759)**	**(220,506)**	**(141,017)**	**(219,766)**
Interest expenses paid	(37,764)	(22,354)	(20,489)	(14,591)
Interest income received	3,042	293	2,162	57
Tax paid	(3,742)	(1,419)	(2,547)	(1,419)
Net cash used in operating activities	**(106,223)**	**(243,986)**	**(161,891)**	**(235,719)**
Cash flow from investing activities				
Proceeds from disposal of fixed assets	423	-	101	-
Purchase of fixed assets	(20,915)	(8,597)	(15,245)	(6,416)
Advances to jointly controlled entity	(397)	-	(397)	-
Net cash used in investing activities	**(20,889)**	**(8,597)**	**(15,541)**	**(6,416)**
Cash flow from financing activities				
Dividends paid on ordinary shares by the Company	(33,579)	(24,272)	(33,579)	(24,272)
Decrease in amount due to a corporate shareholder	-	(1,403)	-	(1,403)
Proceeds from issue of ordinary shares at premium	-	17,000	-	17,000
Repayment of term loan from banks	-	(79)	-	(79)
Increase in medium term notes	216,366	72,642	81,896	49,762
Repayment of long term loan from a corporate shareholder	-	(8,600)	-	(8,551)
Increase in loans from banks	78,717	222,349	163,377	235,069
Net cash provided by financing activities	**261,504**	**277,637**	**211,694**	**267,526**
Net effect of exchange rate changes on cash and cash equivalents	2,102	(10,315)	4,236	(9,194)
Net increase in cash & cash equivalents	136,494	14,739	38,498	16,197
Cash & cash equivalents at beginning of period	87,809	32,656	185,805	31,198
Cash & cash equivalents at end of period	**224,303**	**47,395**	**224,303**	**47,395**

1(d)(i) A statement (for the Issuer and Group) showing either (i) all changes in equity, or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(in S$'000)	GROUP		COMPANY		GROUP		COMPANY	
	For the period		For the period		For the period		For the period	
From	1 Jul 05	1 Jul 04	1 Jul 05	1 Jul 04	1 Oct 05	1 Oct 04	1 Oct 05	1 Oct 04
To	31 Dec 05	31 Dec 04	31 Dec 05	31 Dec 04	31 Dec 05	31 Dec 04	31 Dec 05	31 Dec 04
Issued Capital								
Balance at beginning	155,459	100,791	155,459	100,791	155,459	100,791	155,459	100,791
Issuance of ordinary shares	-	17,824	-	17,824	-	17,824	-	17,824
Balance at end	155,459	118,615	155,459	118,615	155,459	118,615	155,459	118,615
Reserves								
Share Premium								
Balance at beginning	241,495	36,035	241,495	36,035	241,495	36,035	241,495	36,035
Issuance of ordinary shares	-	24,778	-	24,778	-	24,778	-	24,778
Balance at end	241,495	60,813	241,495	60,813	241,495	60,813	241,495	60,813
Foreign Currency Translation Reserves								
Balance at beginning	(24)	(4,005)	5,834	3,079	(1,931)	(5,125)	3,192	1,959
Foreign currency translation adjustment	2,552	(10,327)	2,482	(9,965)	4,459	(9,207)	5,124	(8,845)
Balance at end	2,528	(14,332)	8,316	(6,886)	2,528	(14,332)	8,316	(6,886)
Revenue Reserves								
Balance at beginning, as previously reported	99,795	57,042	79,493	40,320	108,720	60,767	89,068	44,045
Adjustment for change in accounting policy	1,275	-	1,515	-	(1,115)	-	(1,115)	-
Balance at beginning, as restated	101,070	57,042	81,008	40,320	107,605	60,767	87,953	44,045
Profit for the financial period	30,648	22,603	37,663	19,638	24,113	18,878	30,718	15,913
Dividends paid during the period	(33,579)	(24,272)	(33,579)	(24,272)	(33,579)	(24,272)	(33,579)	(24,272)
Balance at end	98,139	55,373	85,092	35,686	98,139	55,373	85,092	35,686
Total Reserves	342,162	101,854	334,903	89,613	342,162	101,854	334,903	89,613
Fair Value Adjustment Reserves								
Balance at beginning	-	-	-	-	20,151	-	19,284	-
Adjustment for change in accounting policy	(31,941)	-	(31,969)	-	-	-	-	-
Fair Value adjustment during the period	(24,062)	-	(24,248)	-	(76,154)	-	(75,501)	-
Balance at end	(56,003)	-	(56,217)	-	(56,003)	-	(56,217)	-
Share-based Compensation Reserves								
Balance at beginning, as previously reported	-	-	-	-	56	-	56	-
Adjustment for change in accounting policy	1,115	-	1,115	-	1,115	-	1,115	-
Balance at beginning, as restated	1,115	-	1,115	-	1,171	-	1,171	-
Share-based payment during the period	841	-	841	-	785	-	785	-
Balance at end	1,956	-	1,956	-	1,956	-	1,956	-
Total Equity	**443,574**	**220,469**	**436,101**	**208,228**	**443,574**	**220,469**	**436,101**	**208,228**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	DEC 2005	DEC 2004
Issued, fully paid share capital		
Balance no. of shares as at 1st July of par value S$0.10 each (2004 : S$0.20 each)	1,554,584,400	503,954,686
Conversion of redeemable preference shares of par value S$0.20 each on 21-Oct-04	-	52,161,689
Issue of ordinary shares of par value S$0.20 each on 02-Dec-04	-	29,835,700
Issue of ordinary shares of par value S$0.20 each on 14-Dec-04	-	7,120,822
Total No. of Shares outstanding as at 31st December of par value S$0.10 each (2004: S$0.20 each)	**1,554,584,400**	**593,072,897**

Note:

The number of ordinary shares shown above as at 1st July 2004 and 31st December 2004 are before sub division and having a par value of S$0.20 per each ordinary share. Each share of S$0.20 was sub-divided into 2 ordinary shares with par value of S$0.10 per each ordinary share on 4th January 2005.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The financial statements presented above have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

N/A

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed under Note 5, the same accounting policies and methods of computation have been followed as in our last audited financial statements dated 30th June 2005.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has applied the same accounting policies in the preparation of the financial statements for the current reporting period as compared to the audited financial statements as at 30th June 2005, except for the adoption of the following new Financial Reporting Standards (FRS), that are mandatory for the financial year beginning 1st July 2005

FRS 39	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payment

FRS 39

In accordance with the transitional provisions of FRS 39, there has been no restatement of results for the period ended 30th June 2005. The impact of the transitional adjustments on the group on 1st July 2005 and adjustments as on 31st December 2005 are detailed below:

(in S$'000)	Current Asset	Current Liabilities	Deferred taxation	Foreign Exchange Translation Reserves	Fair Value Adjustment Reserves	Profit & Loss Account	Revenue Reserves
Transitional adjustments as on 1 July 2005							
Measurement of derivative instruments	136,774	(168,177)	1,681	-	31,941	-	(2,219)
Measurement of financial instruments at amortised cost	171	-	-	-	-	-	(171)

(in S$'000)	Current Asset	Current Liabilities	Deferred taxation	Foreign Exchange Translation Reserves	Fair Value Adjustment Reserves	Profit & Loss Account	Revenue Reserves
Measurement for the period ended 31 December 2005							
Measurement of derivative instruments	(34,274)	6,775	1,240	(486)	24,062	2,683	-
Measurement of financial instruments at amortised cost	2,054	-	-	(9)	-	(2,045)	-

As a result of the adoption of FRS 39, we have introduced a new line "Fair Value Adjustment Reserve" in the Balance Sheet to capture the changes to the equity. The Equity on 1st July 2005 was reduced by S$29.6 million as a result of these adjustments. As at 31st December 2005, the effect of adopting FRS 39 was a further decrease in equity of S$24.2 million.

FRS 102

During the half year the company also adopted FRS 102. There has been two schemes that have been covered under the provision of FRS 102 :

1. Employee Share Subscription Scheme (ESSS)
2. Employee Share Options Scheme (ESOS)

Since both these schemes where launched prior to the IPO and considering the performance of the shares post IPO, we have revised our computations of perquisite value under these above schemes. The details are as under :

	Prior Year Adjustment S$'000	1st Half FY 2006 S$'000	2nd Half FY 2006 S$'000	Balance Carried Forward S$'000	Total S$'000
ESSS	931	657	354	515	2,457
ESOS	184	184	123	246	737
Total	1,115	841	477	761	3,194

The relevant adjustments have been incorporated in the financial statements presented herewith.

6. Earnings per ordinary share of the Group for the current financial period reported and for the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group			
	Half Year Ended		Three Months Ended	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
(a) Based on weighted average no. of shares (Cents/share)	1.97	2.01	1.55	1.64
(b) Based on fully diluted basis (Cents/share)	1.96	1.96	1.54	1.63
Weighted average no. of shares applicable to basic earnings per share	1,554,584,400	1,124,327,639	1,554,584,400	1,151,627,694
Weighted average no. of shares based on fully diluted basis	1,562,203,448	1,154,755,291	1,562,941,543	1,160,321,309

Note:

The number of shares and EPS for the period ended 31st December 2004 have been adjusted to reflect the share split done in January 2005. Each share of S$0.20 was split into two shares of S$0.10 each in Jan 2005.

7. Net asset value (for the Issuer and Group) per ordinary share based on issued share capital of the issuer at the end of the:

(a) Current financial period reported on; and

(b) Immediately preceding financial year.

(In Cents per Share)	Group		Company	
	As at 31 Dec 05	As at 30 Jun 05	As at 31 Dec 05	As at 30 Jun 05
Net asset value per ordinary share based on issued share capital as at end of the period	28.53	31.95	28.05	31.02

Note: If impact on accounting Fair Value Adjustment due to the adoption of FRS 39 is taken out, the Net Asset Value as at 31 December 2005 would be 32.14 cents per share for Group and 31.67 cents per share for Company.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:

(a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Introduction

Olam is a leading, global, integrated supply chain manager of agricultural products and food ingredients with operations in 41 countries. Since the establishment of our business in 1989, we have evolved from a single country, single, product trader to a multi country, multi product supply chain manager. Today, we manage an integrated supply chain for over 14 agricultural products. As supply chain managers, we are engaged in the sourcing, processing, warehousing, transportation, shipping, distribution and marketing of these products from the farm gate in the producing countries to the factory gate of our customers in the destination markets while managing the risks at each stage of the supply chain. We organize the 14 products that we supply into 4 business segments as given below:

Business Segment	Products
Edible Nuts, Spices & Beans	Cashews, Other Edible Nuts (Peanuts, Almonds, Hazelnuts) Spices (Pepper, Cloves, and other spices) Sesame Beans (Pulses, Lentils & Peas)
Confectionery & Beverage ingredients	Cocoa Coffee Sheanuts
Food Staples & Packaged Foods	Rice Sugar Dairy Products Packaged Foods
Fibre & Wood Products	Cotton Timber

Background to analysing our Financial Statements

Profitability

a. ***Gross and Net Contribution:*** We measure and track our profitability in terms of Gross Contribution (GC) and Net Contribution (NC) per ton of product supplied. GC is calculated as total revenue less cost of goods sold (raw material costs plus other direct costs, including packing costs etc.), shipping and logistics expenses, claims and commission, bank charges, fair value adjustment, gain / loss on foreign exchange and share of profit/loss from jointly controlled entity. For the purposes of determining Net Contribution, we deduct the net interest expense from the GC. We consider interest expense to be a variable cost and is a function of our inventory holding periods. We mainly use short term, transactional, self liquidating, working capital funding to finance our short term inventories and debtors. For every transaction, we target a minimum net contribution per ton of product supplied based on the risks, complexities, and value added services that we provide to our customers to meet their specific requirements. We are focused on enhancing these margins through providing value added services including vendor managed inventory services (VMI), organic certification, fair trade produce certification (FTP), customized grades and quality, proprietary market intelligence and risk management solutions to our customers.

b. ***Volumes:*** The second key driver to our profitability is the volume of products supplied. Given our integration and end-to-end supply chain capabilities, we seek to match the supply of our products with demand from our customers. The volume of agricultural products that we supply are largely within our control and is a function of the extent of our supply chain infrastructure in the origins (producing countries) and the markets (consuming countries).

c. ***Seasonality :*** Production of agricultural products is seasonal in nature. The seasonality of the products in our portfolio depends on the location of the producing country. The harvesting season for most of the agricultural products for countries situated in the northern hemisphere generally falls between October to March. Countries in the southern hemisphere have harvesting seasons between April to September. It is also not unusual to experience both some delay as well as early start to the harvesting seasons in these countries based on actual weather patterns in that particular year. In addition to an early or delayed harvesting season, the precise timing and size of arrivals of these products can also vary based on the farmer's selling decisions, which is mainly a function of his view on prices and his inventory holding capacity. The majority of our Origins are located in the northern hemisphere. Consequently, our earnings tend to be relatively higher in the Second Half of the Financial Year (January to June) compared to the First Half of the Financial Year (July to December).

Based on this seasonality, we expect the phasing of our earnings to be as follows:

Q1 July - Sept	Q2 Oct - Dec	**1St Half July - Dec**	Q3 Jan - March	Q4 Apr - June	**2nd Half Jan - June**
5 – 10%	25 – 30%	**30 – 40%**	35 – 40%	25 – 30%	**60 – 70%**

<u>Profit and Loss Statement</u>

Volumes:

The Group recorded a 22.5% growth in Sales Volumes to 0.942 million tons for the 2nd quarter ended 31st December 2005 (Q2 FY2006) compared to 0.769 million tons for the previous corresponding quarter ended 31st December 2004 (Q2 FY2005). Strong Volume growth was registered across all four business segments.

The Group achieved a 26.4% growth in Sales Volumes to 1.499 million tons for the 1st half ended 31st December 2005 (1H FY2006) compared to 1.185 million tons for the previous corresponding half year ended 31st December 2004 (1H FY2005). Strong Volume growth was registered across all four business segments.

Sales revenues:

Sales Revenues for Q2 FY2006 increased by 25.4% to S$1,203.3 million from S$959.4 million in Q2 FY2005. Sales revenues registered increases across 3 out of 4 business segments. 91% of the increase in sales revenues was contributed by increase in volumes and 9% of the revenue increase was contributed by increase in prices.

Sales Revenues for 1H FY2006 increased by 31.6% to S$1,917.0 million from S$1,456.6 million in 1H FY2005. Sales revenues registered increases across 3 out of 4 business segments. Sales revenues in the edible nuts, spices and beans segment were lower by 4.5% in 1H FY2006 compared to 1H FY2005 despite a 17% growth in sales volumes. This is due to sharp price fall across the range of edible nut including cashew and almond during this period. 84% of the increase in sales revenues was contributed by increase in volumes and 16% of the revenue increase was contributed by increase in prices.

Gross Contribution:

Gross Contribution (GC) increased by 46.1% to S$89.2 million for Q2 FY2006 compared to S$61.1 million in Q2 FY2005. GC increased across all 4 business segments during the quarter.

Gross Contribution (GC) increased by 51.3% to S$145.0 million for 1H FY2006 compared to S$95.8 million in 1H FY2005. GC increased across all 4 business segments during the quarter. In 1H FY2006, we adopted FRS 39 and as a result have fair valued the derivative instruments and re-measured the financial instruments. The net impact in the profit and loss account due to this has been a loss of S$0.69 million for this period.

Interest and Net Contribution:

Total net interest cost increased by 90.9% to S$27.7 million in Q2 FY 2006. The interest cost per ton increased to S$29 per ton from S$19 during the corresponding period last year. Net Contribution per ton improved to S$65 per ton in Q2 FY2006 compared to S$61 in Q2 FY2005. Increased volumes and margin improvement initiatives resulted in total Net Contribution growing by 32.1% to S$61.5 million in Q2 FY2006 as compared to S$46.5 million during the corresponding period last year.

Total net interest cost increased by 108.4% or S$23.9 million to S$46.0 million in 1H FY2006. The interest cost per ton increased to S$31 per ton from S$19 during the corresponding period last year. Increase of 55.76% in interest cost has been due to increased level of working capital employed to support the enhanced volumes while 44.24% increase was due to the increase in the LIBOR rates. In line with FRS 39, we have deferred discounting charges and as a result interest cost has gone down by S$0.06 million. However most of the increase in interest cost was passed on to either our customers or suppliers as the case may be. As a result Net Contribution per ton improved to S$66 per ton in 1H FY2006 compared to S$62 in 1H FY2005. Increased volumes and margin improvement initiatives resulted in total Net Contribution growing by 34.2% to S$99.0 million in 1H FY2006 as compared to S$73.8 million during the corresponding period last year.

Total NC improved across all 4 business segments. Increased volumes accounted for 79% of this increase and the balance 21% was on account of margin improvement initiatives.

The following table provides segmental breakdown on Sales Volume, Sales Revenue, Gross Contribution (GC) and Net Contribution (NC) for the three months ended 31st December 2005 (Q2 FY2006) and 31st December 2004 (Q2 FY2005).

Q2 FY2006: Segmentals

Quarter

	Sales Volume (in Metric Tons)		Sales Revenue (in S$'000)		Gross Contribution (GC) (in S$'000)		Net Contribution (NC) (in S$'000)	
Segment	**Dec 05**	**Dec 04**	**Dec 05**	**Dec 04**	**Dec 05**	**Dec 04**	**Dec 05**	**Dec 04**
Edible Nuts, Spices & Beans	67,040	56,310	84,615	126,922	12,716	11,102	9,666	9,360
Per ton (S$)			**1,262**	**2,254**	**190**	**197**	**144**	**166**
Confectionery & Beverage Ingredients	189,348	155,392	451,582	370,052	31,542	22,509	21,191	16,024
Per ton (S$)			**2,385**	**2,381**	**167**	**145**	**112**	**103**
Food Staples & Packaged Foods	538,030	448,931	448,605	308,410	24,897	15,305	16,834	11,682
Per ton (S$)			**834**	**687**	**46**	**34**	**31**	**26**
Fibre & Wood Products*	147,677	108,130	218,464	153,978	20,061	12,146	13,783	9,462
Per ton (S$)			**1,479**	**1,424**	**136**	**112**	**93**	**88**
Total	**942,095**	**768,763**	**1,203,266**	**959,362**	**89,216**	**61,062**	**61,474**	**46,528**
Per ton (S$)					**95**	**79**	**65**	**61**

* Measured in cubic metres.

The following table provides segmental breakdown on Sales Volume, Sales Revenue, Gross Contribution (GC) and Net Contribution (NC) for the half year ended 31st December 2005 (1H FY2006) and 31st December 2004 (1H FY2005).

1H FY2006: Segmentals

Cumulative

	Sales Volume (in Metric Tons)		Sales Revenue (in S$'000)		Gross Contribution (GC) (in S$'000)		Net Contribution (NC) (in S$'000)	
Segment	**Dec 05**	**Dec 04**	**Dec 05**	**Dec 04**	**Dec 05**	**Dec 04**	**Dec 05**	**Dec 04**
Edible Nuts, Spices & Beans	187,647	160,045	236,294	247,309	22,693	18,535	15,936	14,999
Per ton (S$)			**1,259**	**1,545**	**121**	**116**	**85**	**94**
Confectionery & Beverage Ingredients	303,010	239,073	682,873	514,499	52,013	35,021	34,941	26,083
Per ton (S$)			**2,254**	**2,152**	**172**	**146**	**115**	**109**
Food Staples & Packaged Foods	780,639	622,043	645,224	452,902	38,929	23,459	26,153	17,805
Per ton (S$)			**827**	**728**	**50**	**38**	**34**	**29**
Fibre & Wood Products*	227,594	164,295	352,594	241,884	31,336	18,833	21,975	14,900
Per ton (S$)			**1,549**	**1,472**	**138**	**115**	**97**	**91**
Total	**1,498,890**	**1,185,456**	**1,916,985**	**1,456,594**	**144,971**	**95,848**	**99,005**	**73,787**
Per ton (S$)					**97**	**81**	**66**	**62**

* Measured in cubic metres.

We continue to make good progress in executing our strategy in Q2 FY2006 across all our four business segments. Some of the specific progress made segment wise in this quarter is highlighted below:

- **Edible nuts, Spices and Beans** segment grew both underlying sales volumes and NC by 19.1% and 3.3% respectively in Q2 FY2006 compared to Q2 FY 2005. While for 1H FY2006 Sales volumes and NC grew by 17.2% and 6.2% respectively as compared to 1H FY2005.

  As anticipated and outlined in our Q1 FY2006 results announcement, there were a significant slow down in demand and consequent sharp fall in prices in the edible nuts sub category in Q2 FY2006 resulting in weaker trading condition during this period. Prices for edible nuts now seem to be stabilising at this lower levels. Enhancement of cashew processing capacity in key origin in Africa, Brazil and Vietnam are progressing as planned. Driven by Chinese and Japanese demand, sesame has a strong quarter in Q2 FY2006. Expanding our sesame hulling operations in Nigeria was completed on time and budget. Work on our peanut processing plant in China is processing as planned and we expect to commission this facility by end of Q3 FY2006. Our spices business out of Vietnam, Indonesia, India and Brazil had a strong showing in Q2 FY2006.

- **Confectionery & Beverage Ingredients** segment had a particularly strong quarter with sales volume and NC growing by 21.9% and 32.2% respectively in Q2 FY2006 compared to Q2 FY2005. While for 1H FY2006 Sales volumes and NC grew by 26.7% and 34.0% respectively, as compared to 1H FY2005.

  This year's hurricane season in America starting with Katrina and followed by Stan and Wilma caused some supply side distortions in terms of damage to storage and roasting facilities in New Orleans and reduced coffee production in Mexico and several Central American countries. Coffee differentials continued to be very firm in practically all growths during 1H FY2006. There has also been good spot off-take in consuming countries during this period due to a combination of reduced shipments from some key origins, high origin prices and a relative shortage of origin stocks. We anticipate a small statistical supply deficit for the 2005/06 coffee year. We continue to build on our position as the leading robusta coffee supplier out of Asia and Africa. Our Arabica expansion in Brazil continues to make strong progress. We have seen strong growth in volumes from Cote D'Ivoire, Indonesia, India and Uganda. Trading conditions in coffee in Vietnam have been difficult in 1H FY2006 although we have profitably grown our volumes under these conditions. Our marketing investments in the U.S., Middle East, North Africa and Eastern Europe continue to yield benefits in helping us diversify our customer base while at the same time offering us better liquidity and value.

Our cocoa business has maintained its position as one of the major exporters from Africa and Asia during 1H FY2006. During this period, the market has traded in a narrow price range reflecting the demand/supply equilibrium in the physical market. Our internal estimates are for a moderate deficit for the 2005/06 cropping season. The size of deficit will depend upon the production trend in the second half of the season in West Africa. Our business in the destination markets continues to develop as we continue to execute on our strategy of market penetration. To this end, we have deployed additional marketing and trading resources in Western Europe, Eastern Europe and the U.S. to meet the increased demand in cocoa beans and products from our customers in these markets. We have successfully completed the installation of a new usine in Cote D'Ivoire during Q2 FY2006. This is a state of art facility for preparing cocoa for export and this has enabled us to strengthen our position in the world's leading cocoa producing nation.

Both in cocoa and in coffee, we continue to develop our business in the supply of traceable raw materials by sourcing directly from co-operatives and farmer groups. We have also launched an awareness campaign for this purpose in some select countries in which we operate.

- **Food Staples & Packaged Food** segment registered a volume increase of 19.8% and an NC increase of 44.1% in the Q2 FY2006 compared to Q2 FY2005. While for 1H FY2006 Sales volumes and NC grew by 25.5% and 46.9% respectively as compared to 1H FY2005.

The key contributor to the strong growth seen in this segment in 1H FY2006 has been the rice business. Our two rice milling plants in Nigeria performed better than expectation and the quality of the locally milled rice has been well accepted in the market. 1H FY2006 also saw a further strengthening on our distribution network both in parboiled rice and white rice categories in Nigeria, Ghana, Cameroon and Uganda. Our strategy of expanding into the premium rice segment is yielding benefits in most markets where we have launched the premium variety. Our program for assisting rice farmers and co-operatives in Nigeria has been very effective in improving yields and productivity for the farmers enrolled in our program.

Sugar prices have risen sharply in Q2 FY2006 to reach historical highs, primarily driven by an accelerated rate in the conversion of sugar cane into ethanol as crude oil prices continued to remain firm for much of this period. Our sugar business has had an excellent quarter in Q2 FY2006 with the successful establishment of our sourcing operations out of West and East Europe and setting up of our marketing and distribution operations in Russia. Our sourcing operations in Poland has been particularly successful and in Q2 FY2006 we have built a sourcing book of 100,000 mts by sourcing directly from several mills in Poland. We have strengthened our sourcing operations in Brazil and we are now directly sourcing from the mills in Brazil as well.

Milk powder prices have come off during Q2 FY2006. There has also been a stand off between Russia and Ukraine which started with gas supply dispute that has now affected all other trades between the two countries including the milk powder. Given our active participation in this trade flow, we expect to have some negative impact on our trading prospects in Q3 & Q4 FY 2006 in this area. Sales of our branded milk powder (Pearl) continued to do well in Uganda and we are now finalising launch plans in 3 additional African markets in Q3 FY2006. We have also set up a dairy products distribution operation in China in Q2 FY2006 and expect to develop this opportunity in the subsequent quarters.

The Packaged Food Business (PFB) has got off to a good start in 1H FY2006 particularly with regards to sales of our 3-in-1 coffee brands (Enrista and Delcafe) in Russia. We have also launched an assorted, roasted edible nuts line in Russia under the brand name Ponchos in Q2 FY2006. We have also launched our 3-in-1 coffee range in Africa in Q2 FY2006. The initial results of this expansion have been very encouraging.

- **Fibre & Wood Products** segment grew sales volume by 36.6% and NC by 45.7% in Q2 FY2006 compared to Q2 FY2005. While for 1H FY2006 Sales volumes and NC grew by 38.5% and 47.5% respectively as compared to 1H FY2005.

  The expanded use of new technologies in particular biotech cotton is contributing to lower production costs and reduced risks for farmers who have adopted these new varieties. Weather conditions have been mixed in the northern hemisphere and this has resulted in Chinese cotton production falling to an estimated 5.77 million tons down 9% from a record of 6.3 million tons last year. At the same time, due to significant textile export growth from China despite U.S. and E.U. quotas, Chinese cotton consumption is estimated to grow to 8.5 million tons necessitating imports of nearly 2.9 million tons in the cropping year 2005/06. We have positioned ourselves extremely well to participate in this opportunity and have had significant success in our cotton distribution operations in China during 1H FY2006 and have become a major player in this market. We have had an excellent season out of West and East Africa, CIS and the U.S. during this period. During the quarter, we have also developed plans to supply organically grown and traceable cotton to some key textile mills that are suppliers to some of the leading apparel brands.

  The sources of growth in Timber volumes in 1H FY2006 compared to the corresponding prior period has been broad based and has come from both West Africa and South America. Work on setting up processing facilities in Gabon, Nigeria and Mozambique are progressing as planned and we expect to commission these in the last quarter of FY2006. Our log business in Gabon and Congo region has benefited from the economies of scale that we have derived by chartering vessels which has led to a lowering of freight costs and accretion of margins. Market development activity in Q2 FY2006 has been focus on Vietnam which is emerging as a fast developing centre for furniture processing and China where demand for wood products continues to be very strong. We have also strongly executed on our market penetration strategy in Europe and this has helped in enhancing both sales liquidity and improved realisations from this market for our sawn timber from both South America and Africa.

<u>Costs and Expenses</u>

Our Selling, General & Administrative expenses (SG&A) increased by 37.7% to S$34.5 million for Q2 FY2006 from S$25.1 million for Q2 FY2005. Of this, staff costs increased by 68.9% due to increase in staff strength as well as general wage increases in the origin countries. Other operating expenses (net of Bank Charges) increased by 17.3% to S$16.8 million in Q2 FY2006 from S$14.3 million in Q2 FY2005 due to increase in level of business activities.

For 1H FY2006 the SG&A increased by 34.6% to S$ 64.8 million from S$ 48.1 million in 1H FY 2005. The increase in staff costs for 1H FY2006 respectively was 46.1% to S$ 26.1 million from S$ 17.9 million in 1H FY2005, while the increase in other operating expenses (net of bank charges) was 23.0% to S$ 33.3 million from S$ 27.1 million in 1H FY2005. These costs are in line with our budgets and are part of our planned investment in enhancing our procurement, logistics and marketing infrastructure in existing origins and markets.

<u>Profit before tax</u>

Based on the foregoing, profit before tax increased by 25.6% to S$26.9 million for the Q2 FY2006 from S$21.5 million for Q2 FY2005.

Profit before tax increased by 33.3% to S$34.2 million for the 1H FY2006 from S$25.7 million for 1H FY2005.

<u>Taxation</u>

Taxes increased by 16.7% to S$3.6 million for the 1H FY2006 as compared to S$3.1 million for 1H FY2005.

<u>Profit after tax</u>

Profit after tax increased by 27.7% to S$24.1 million for Q2 FY2006 as against S$18.9 million for Q2 FY2005.

Profit after tax increased by 35.6% to S$30.6 million for 1H FY2006 as against S$22.6 million for 1H FY2005.

Balance Sheet & Cash Flow

Investment in fixed assets amounted to S$15.2 million during Q2 FY2006 compared to S$6.4 million during Q2 FY2005. The investment in Q2 FY2006 is mainly on account of increase in Capital Work-In-Progress as work on various investment proposals relating to warehousing and logistics infrastructure is underway.

The Group's receivables (no. of days of Debtors) reduced to 49 days as of end December 2005 compared to 70 days as of end June 2005. Inventory (no. of days of stock) decreased to 105 days from 119 days as compared to June 2005. Advance to suppliers went up from 11 days as of June 2005 to 26 days as of end December 2005 due to seasonal reasons. Trade Creditors came down from 20 days as at end of June 2005 to 11 days as at December 2005.

Borrowings increased from S$1,451 million as at end of June 2005 to S$ 1,691 million as at end of end December 2005. The net debt to equity ratio increased to 2.89 times (before fair value adjustment) in December 2005 from 2.59 times in June 2005.

Shareholder Funds decreased by 10.7% from S$496.7 million as at 30th June 2005, to S$443.6 million as at 31st December 2005. The equity decreased by S$ 56.0 million on account of revaluation of financial instruments under the provisions of FRS 39. The company uses the financial instruments (Futures, Options and Currency Forwards) as a hedge against the underlying physical transactions. As such, the fluctuations arising out of the movement of the prices of the financial instruments are taken to the "Fair Value Adjustment Reserve" and recognised into the P&L when the underlying physical transactions are consummated. We do not expect any material adverse impact of these movements on the results of the company.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast was previously given.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

Barring any unforeseen circumstances, we continue to be positive on the overall business outlook as we head into the 2nd half of FY2006 and beyond. The various initiatives that we are executing on to broaden and deepen our business franchise should continue to yield results in the form of both increased volumes and enhanced margins. Please refer particularly to the description of the seasonality of our business under the section "Background to analysing our Financial Statements" on page 10 of this filing while assessing our prospects.

11. Dividend

(a) Current Financial Period Reported On

During the quarter, the company paid out tax exempt dividend of S$ 33.579 million comprising ordinary dividend of S$0.0108 per share and special dividend of S$0.0108 per share.

(b) Corresponding Period of the Immediately Preceding Financial Year.

During Q2 FY 2005, the company paid out tax exempt dividend of S$ 24.272 million comprising ordinary dividend of S$0.0182 per share and special dividend of at S$0.0255 per share.

(d) Date payable

N/A

(e) Books closure date

N/A

12. If no dividend has been declared/recommended, a statement to that effect.

N/A.

PART II: **Additional information required for Full Year announcement (This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

N/A

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

N/A

15. A breakdown of sales.

N/A

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

N/A

17. Interested Persons Transactions.

N/A

BY ORDER OF THE BOARD

Sunny George Verghese
Group Managing Director & Chief Executive Officer
14 February 2006