

Financial Statements



Contents

Directors' Report	42
Statement by Directors	51
Report of the Auditors	52
Balance Sheets	53
Profit and Loss Accounts	54
Statement of Changes in Equity	55
Statement of Cash Flows	57
Notes to the Financial Statements	59

Directors' Report

year ended 31 December 2005

Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2005.

Directors

The directors in office at the date of this report are as follows:

Tan Yam Pin	(Appointed on 1 December 2005)
Peter Tay Buan Huat	
Philip Tan Yuen Fah	
Chow Kok Kee	
John Lim Kok Min	
Jackson Tang Yew Kay	(Appointed on 1 August 2005)
Mary Yeo Chor Gek	(Appointed on 1 September 2005)
Margaret Lui-Chan Ann Soo	(Appointed on 1 December 2005)

Other directors in office during the financial year ended 31 December 2005 who have resigned from office prior to the date of this report are:

George Huang Chang Yi	(Resigned on 9 January 2006)
Patrick Yeoh Khwai Hoh	(Resigned on 31 October 2005)
Roger Yeo Kok Tong	(Resigned on 31 July 2005)

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, share options and share-based incentives in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Exercise price per share	Exercise period	Holdings at beginning of the year/ date of appointment	Holdings at end of the year
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The Company

Ordinary shares of \$0.05 each fully paid

George Huang Chang Yi (Resigned on 9 January 2006)			110,000	145,000
Peter Tay Buan Huat			1,869,600	2,049,600
Philip Tan Yuen Fah			40,000	140,000
John Lim Kok Min			3,000	3,000

Options to subscribe for ordinary shares of \$0.05 each*

George Huang Chang Yi	\$0.69	28/07/2002 to 27/07/2006	50,000	15,000
	\$0.78	09/08/2003 to 08/08/2007	50,000	50,000
	\$0.76	05/08/2004 to 04/08/2008	120,000	120,000
	\$0.80	12/06/2005 to 11/06/2009	120,000	120,000
	\$0.99	14/06/2006 to 13/06/2010	-	120,000
Peter Tay Buan Huat	\$0.78	30/10/2001 to 29/10/2009	700,000	700,000
	\$0.69	28/07/2002 to 27/07/2011	600,000	400,000
	\$0.78	09/08/2003 to 08/08/2012	750,000	750,000
	\$0.76	05/08/2004 to 04/08/2013	750,000	750,000
	\$0.80	12/06/2005 to 11/06/2014	750,000	750,000
	\$0.99	14/06/2006 to 13/06/2015	-	750,000

Directors' Report

year ended 31 December 2005

Name of director and corporation in which interests are held	Exercise price per share	Exercise period	Holdings at beginning of the year/ date of appointment	Holdings at end of the year
The Company				
<u>Options to subscribe for ordinary shares of \$0.05 each*</u>				
Phillip Tan Yuen Fah	\$0.69	28/07/2002 to 27/07/2006	70,000	70,000
	\$0.78	09/08/2003 to 08/08/2007	70,000	70,000
	\$0.76	05/08/2004 to 04/08/2008	70,000	70,000
	\$0.80	12/06/2005 to 11/06/2009	70,000	70,000
	\$0.99	14/06/2006 to 13/06/2010	–	70,000
Chow Kok Kee	\$0.69	28/07/2002 to 27/07/2006	30,000	30,000
	\$0.78	09/08/2003 to 08/08/2007	50,000	50,000
	\$0.76	05/08/2004 to 04/08/2008	60,000	60,000
	\$0.80	12/06/2005 to 11/06/2009	60,000	60,000
	\$0.99	14/06/2006 to 13/06/2010	–	60,000
John Lim Kok Min	\$0.76	05/08/2004 to 04/08/2008	30,000	30,000
	\$0.80	12/06/2005 to 11/06/2009	30,000	30,000
	\$0.99	14/06/2006 to 13/06/2010	–	30,000

Conditional awards of Performance Shares

Peter Tay Buan Huat

- 380,000 shares to be delivered after 2004 (note 1a)	Up to 760,000	–
- 420,000 shares to be delivered after 2005 (note 1b)	Up to 840,000	Up to 840,000
- 420,000 shares to be delivered after 2006 (note 1c)	Up to 840,000	Up to 840,000
- 420,000 shares to be delivered after 2007 (note 1d)	–	Up to 840,000

Related Corporations

CapitaLand Limited

Ordinary shares of \$1.00 each fully paid

George Huang Chang Yi	2,500	#
Peter Tay Buan Huat	17,000	#
John Lim Kok Min	21,500	#
Margaret Lui-Chan Ann Soo	10,000	#

: ceased to be a related corporation in the course of the financial year.

Directors' Report

year ended 31 December 2005

Name of director and corporation in which interests are held	Exercise price per share	Exercise period	Holdings at beginning of the year/ date of appointment	Holdings at end of the year
Related Corporations				
Chartered Semiconductor Manufacturing Ltd				
<u>Ordinary shares of \$0.26 each fully paid</u>				
Peter Tay Buan Huat			5,193	5,193
John Lim Kok Min			2,000	2,000
<u>Options to subscribe for ordinary shares of \$0.26 each*</u>				
Philip Tan Yuen Fah	\$1.70	27/02/2005 to 27/02/2009	85,000	85,000
	\$1.16	26/08/2006 to 26/08/2010	–	85,000
SembCorp Industries Ltd				
<u>Ordinary shares of \$0.25 each fully paid</u>				
George Huang Chang Yi			1,475	1,475
Peter Tay Buan Huat			2,720	23,181
John Lim Kok Min			10,000	10,000
Margaret Lui-Chan Ann Soo			11,000	11,000
<u>Options to subscribe for ordinary shares of \$0.25 each*</u>				
Peter Tay Buan Huat	\$2.21	20/05/2001 to 19/05/2009	175,000	135,000
	\$1.94	27/06/2001 to 26/06/2010	25,000	–
	\$1.50	20/04/2002 to 19/04/2011	25,000	–
	\$1.54	08/05/2003 to 07/05/2012	12,500	3,125
	\$0.93	18/10/2003 to 17/10/2012	12,500	6,250
SIA Engineering Company Limited				
<u>Ordinary shares of \$0.10 each fully paid</u>				
John Lim Kok Min			1,000	1,000
Singapore Airlines Limited				
<u>Ordinary shares of \$0.50 each fully paid</u>				
George Huang Chang Yi			2,000	2,000
Singapore Airport Terminal Services Limited				
<u>Ordinary shares of \$0.10 each fully paid</u>				
Peter Tay Buan Huat			20,000	20,000
John Lim Kok Min			1,000	1,000
Singapore Computer Systems Limited				
<u>Ordinary shares of \$0.25 each fully paid</u>				
Peter Tay Buan Huat			50,000	50,000
Singapore Technologies Engineering Ltd				
<u>Ordinary shares of \$0.10 each fully paid</u>				
George Huang Chang Yi			18,022	18,022
Philip Tan Yuen Fah			25,686	25,686
John Lim Kok Min			48,525	48,525

Directors' Report

year ended 31 December 2005

Name of director and corporation in which interests are held	Exercise price per share	Exercise period	Holdings at beginning of the year/ date of appointment	Holdings at end of the year
Related Corporations				
Singapore Technologies Engineering Ltd				
<u>Options to subscribe for ordinary shares of \$0.10 each*</u>				
Philip Tan Yuen Fah	\$2.72	20/02/2002 to 19/02/2006	95,000	95,000
	\$2.29	08/02/2003 to 07/02/2007	55,000	55,000
	\$1.79	07/02/2004 to 06/02/2008	27,500	27,500
	\$1.86	12/08/2004 to 11/08/2008	27,500	27,500
Singapore Telecommunications Limited				
<u>Ordinary shares of \$0.15 each fully paid</u>				
Peter Tay Buan Huat			3,500	3,500
Philip Tan Yuen Fah			3,370	3,370
Chow Kok Kee			3,120	3,120
John Lim Kok Min			79,860	79,860
Jackson Tang Yew Kay			1,750	1,750
Margaret Lui-Chan Ann Soo			3,440	3,310
SP Australia Networks (Transmission) Pty Ltd				
SP Australia Networks (Distribution) Ltd				
<u>Stapled Securities fully paid at A\$1.38 per share</u>				
Tan Yam Pin			–	254,000
<u>Stapled Securities fully paid at A\$1.67 per share</u>				
John Lim Kok Min			–	30,000
The Ascott Group Limited				
<u>Ordinary shares of \$0.20 each fully paid</u>				
Philip Tan Yuen Fah			35,181	#
John Lim Kok Min			8,370	#
<u>Options to subscribe for ordinary shares of \$0.20 each*</u>				
Peter Tay Buan Huat	\$0.37	20/12/2001 to 19/12/2010	9,000	#
	\$0.32	29/06/2002 to 28/06/2011	8,000	#
# : ceased to be a related corporation in the course of the financial year.				
Vertex Technology Fund Ltd				
<u>Ordinary shares of US\$1.00 each fully paid</u>				
Peter Tay Buan Huat			20	20
Vertex Technology Fund (II) Ltd				
<u>Ordinary shares of US\$1.00 each fully paid</u>				
Peter Tay Buan Huat (held in trust by DBS Vickers Securities (Singapore) Pte Ltd)			50	50
Jackson Tang Yew Kay			100	100

Directors' Report

year ended 31 December 2005

Name of director and corporation in which interests are held	Exercise price per share	Exercise period	Holdings at beginning of the year/ date of appointment	Holdings at end of the year
Related Corporations				
Vertex Technology Fund (II) Ltd				
<u>Redeemable preference shares of US\$0.01 each fully paid</u>				
Peter Tay Buan Huat (held in trust by DBS Vickers Securities (Singapore) Pte Ltd)			50	48.51
Jackson Tang Yew Kay			97	97

* The vesting of the options is in accordance with the vesting schedule, if any, attached to the options.

Note 1(a): 380,000 shares are comprised in the conditional awards granted to him. The actual number of shares to be delivered depended on the level of achievement of set performance targets in SFI over a 3 year period from 2002 to 2004. Achievement below 80% target level meant no performance shares would be delivered, while achievement up to 200% meant that up to twice the number of conditional performance shares awarded could be delivered. For this period, Peter Tay Buan Huat was awarded 380,000 new shares on 28 February 2005, based on the level of achievement of targets set. The balance of the conditional award covering the period from 2002 to 2004 has thus lapsed.

Note 1(b): 420,000 shares are comprised in the conditional awards granted to him. The actual number of shares to be delivered depends on the level of achievement of set performance targets in SFI over a 3 year period from 2003 to 2005. Achievement below 80% target level means no performance shares will be delivered, while achievement up to 200% means that up to twice the number of conditional performance shares could be delivered.

Note 1(c): 420,000 shares are comprised in the conditional awards granted to him. The actual number of shares to be delivered depends on the level of achievement of set performance targets in SFI over a 3 year period from 2004 to 2006. Achievement below 80% target level means no performance shares will be delivered, while achievement up to 200% means that up to twice the number of conditional performance shares could be delivered.

Note 1(d): 420,000 shares are comprised in the conditional awards granted to him. The actual number of shares to be delivered depends on the level of achievement of set performance targets in SFI over a 3 year period from 2005 to 2007. Achievement below 80% target level means no performance shares will be delivered, while achievement up to 200% means that up to twice the number of conditional performance shares could be delivered.

Except as disclosed above, no director who held office at the end of the financial year had interests in shares, debentures, warrants, share options or share-based incentives of the Company or of related corporations either at the beginning of the financial year, or date of appointment if later or at the end of the financial year.

There was no change in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2006.

Except as disclosed under the "Share Options" and "Share-Based Incentives" sections of this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Directors' Report

year ended 31 December 2005

Share Options

(a) Singapore Food Industries Share Option Plan ("Option Plan")

The Option Plan was approved and adopted at the Extraordinary General Meeting of the Company held on 28 October 1999. The main features of the Option Plan are summarised as follows:

- (i) The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant.
- (ii) The 1999 options vested on the 2nd anniversary of the grant date. From 2000 onwards, options granted vest 25% each on the 1st to the 4th anniversary of the grant date.
- (iii) The options granted expire after 5 years from the date of the grant for non-executive directors and 10 years for group and parent group executives.

The Option Plan is administered by the Executive Resource and Compensation Committee ("ERCC") which comprises the following members:-

George Huang Chang Yi	(Resigned on 9 January 2006)
Tan Yam Pin	(Appointed on 1 December 2005)
Philip Tan Yuen Fah	
Chow Kok Kee	
Margaret Lui-Chan Ann Soo	(Appointed on 1 December 2005)

(b) Options Granted

During the financial year, the following options were granted under the Plan:-

Options category	No. of holders	Exercise period	Exercise price (per share)	No. of shares under options
Group executives (including 1 group executive director)	1,040	14/06/2006 to 13/06/2015	\$0.99	6,026,200
Non-executive directors	8	14/06/2006 to 13/06/2010	\$0.99	380,000
	<u>1,048</u>			<u>6,406,200</u>

(c) Issue of Shares Under Option

During the financial year, the Company issued a total of 4,834,800 ordinary shares of \$0.05 each fully paid at exercise prices ranging from \$0.55 to \$0.80 per share for cash upon the exercise of options granted under the Company's share option plan.

Directors' Report

year ended 31 December 2005

(d) Unissued Shares Under Option

At the end of the financial year, unissued shares of the Company under option were as follows:-

Option granted	No. of holders	Exercise period	Exercise price (per share)	Aggregate options outstanding
1999 options	52	30/10/2001 to 29/10/2009	\$0.78	1,474,500
2000 options	102	24/08/2001 to 23/08/2010	\$0.55	441,500
2001 options	6	28/07/2002 to 27/07/2006	\$0.69	140,000
	333	28/07/2002 to 27/07/2011	\$0.69	1,894,200
2002 options	6	09/08/2003 to 08/08/2007	\$0.78	230,000
	649	09/08/2003 to 08/08/2012	\$0.78	3,383,700
2003 options	8	05/08/2004 to 04/08/2008	\$0.76	355,000
	612	05/08/2004 to 04/08/2013	\$0.76	3,811,750
2004 options	7	12/06/2005 to 11/06/2009	\$0.80	370,000
	678	12/06/2005 to 11/06/2014	\$0.80	4,460,250
2005 options	8	14/06/2006 to 13/06/2010	\$0.99	380,000
	731	14/06/2006 to 13/06/2015	\$0.99	5,323,200
				<u>22,264,100</u>

The details of options granted and exercised during the year were as follows:-

	Options granted [1]	Aggregate options granted [2]	Aggregate options cancelled/ not accepted/lapsed [3]	Aggregate options exercised [4]	Aggregate options outstanding [5]
Option participants					
Directors of the Company					
- George Huang Chang Yi	120,000	550,000	20,000	105,000	425,000
- Peter Tay Buan Huat	750,000	5,450,000	-	1,350,000	4,100,000
- Philip Tan Yuen Fah	70,000	470,000	-	120,000	350,000
- Patrick Yeoh Khwai Hoh	30,000	200,000	-	95,000	105,000
- Roger Yeo Kok Tong	30,000	150,000	-	45,000	105,000
- Chow Kok Kee	60,000	260,000	-	-	260,000
- John Lim Kok Min	30,000	90,000	-	-	90,000
Directors of subsidiaries	40,000	595,000	215,000	240,000	140,000
Other executives					
- Group	5,276,200	32,614,700	8,193,750	7,856,850	16,564,100
- Parent Group	-	1,178,000	305,500	747,500	125,000
	<u>6,406,200</u>	<u>41,557,700</u>	<u>8,734,250</u>	<u>10,559,350</u>	<u>22,264,100</u>

[1] Options granted during the financial year under review.

[2] Aggregate options granted since commencement of the Plan to the end of financial year under review.

[3] Aggregate options not accepted since commencement of the Plan to end of financial year under review.

[4] Aggregate options exercised since commencement of the Plan to end of financial year under review.

[5] Aggregate options outstanding as at end of financial year under review.

Directors' Report

year ended 31 December 2005

Since the commencement of the Option Plan, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the Option Plan, other than Peter Tay Buan Huat, has been granted 5% or more of the total options available under the Option Plan. No options have been granted at a discount to market price.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under option as at the end of the financial year.

Share-Based Incentives

(a) Performance Share Plan

The Singapore Food Industries Performance Share Plan (the "Performance Share Plan") was approved at the Extraordinary General Meeting of the Company held on 30 March 2001. The Performance Share Plan was established with the objective of motivating senior executives to strive for superior performance and sustaining long-term growth for the Company. The Performance Share Plan is administered by the ERCC.

During the financial year, conditional awards aggregating up to a maximum of 2,560,000 performance shares were granted to nine key executives of the Company for the performance qualifying period of 2005 to 2007 depending on the achievement level. The key executives include Peter Tay Buan Huat, an executive director of the Board, who was conditionally awarded up to 840,000 performance shares.

During the financial year, the Company awarded 955,000 ordinary shares of \$0.05 each fully paid from the Performance Share Trust Fund for the 2002 Performance Share Award at the end of the prescribed performance period. Of these, 380,000 ordinary shares of \$0.05 each fully paid were awarded to Peter Tay Buan Huat based on the level of achievement of the performance targets at the end of the prescribed performance period 2002 to 2004, set out under the conditional award on 9 January 2002 under the Singapore Food Industries Performance Share Plan.

At the end of the financial year, unissued shares of the Company under conditional awards granted under the Performance Share Plan were as follows : -

Conditional awards granted	No. of holders	Performance period	Maximum aggregate conditional award
2003 conditional awards	9	2003 to 2005	Up to 2,690,000
2004 conditional awards	9	2004 to 2006	Up to 2,640,000
2005 conditional awards	9	2005 to 2007	Up to 2,560,000
			Up to 7,890,000
Granted to:			
Executive director – Peter Tay Buan Huat			Up to 2,520,000
Other executives			Up to 5,370,000
			Up to 7,890,000

The maximum aggregate award of performance shares, aggregated with the share options under the Option Plan total up to 40,713,450 shares under options/awards and is within the 15% limit, based on the issued share capital of the Company on the day preceding the relevant date of grant of options/awards, allowed collectively under the Option Plan, the Performance Share Plan and the Restricted Plan.

Directors' Report

year ended 31 December 2005

(b) Restricted Stock Plan

The Singapore Food Industries Restricted Stock Plan (the "Restricted Plan") was approved at the Extraordinary General Meeting of the Company held on 30 March 2001. The Restricted Plan is administered by the ERCC. Details of the Restricted Plan were set out in the Directors' Report for the year ended 31 December 2001.

No awards have been granted under the Restricted Stock Plan since its inception.

Audit Committee

The members of the Audit Committee during the financial year and at the date of this report are:-

Philip Tan Yuen Fah	(Chairman, Non-executive director)
Patrick Yeoh Khwai Hoh	(Non-executive director, resigned with effect from 31 October 2005)
John Lim Kok Min	(Non-executive director)
Jackson Tang Yew Kay	(Non-executive director, appointed with effect from 1 November 2005)

The Audit Committee performs the functions specified in section 201B of the Companies Act, the Code of Corporate Governance and the Listing Manual of the Singapore Exchange.

The Audit Committee has held four meetings during the financial year. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and their evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:-

- assistance provided by the Company's officers to the internal and external auditors;
- financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Auditors

The auditors, KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



Tan Yam Pin
Director



Peter Tay Buan Huat
Director

Singapore
8 February 2006

Statement by Directors

In our opinion:

- (a) the financial statements set out on pages 53 to 95 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and of the results, changes in equity and cash flows of the Group and of the results and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors



Tan Yam Pin
Director



Peter Tay Buan Huat
Director

Singapore
8 February 2006


Report of the Auditors to the Members of Singapore Food Industries Limited

We have audited the accompanying financial statements of Singapore Food Industries Limited for the year ended 31 December 2005 as set out on pages 53 to 95. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the consolidated financial statements of the Group, the balance sheet, profit and loss account and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and of the results, changes in equity and cash flows of the Group and of the results and changes in equity of the Company for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by the subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.



KPMG

Certified Public Accountants

Singapore

8 February 2006

Balance Sheets

as at 31 December 2005

	Note	Group 2005 \$'000	2004 \$'000 (restated)	Company 2005 \$'000	2004 \$'000 (restated)
Non-Current Assets					
Property, plant and equipment	3	130,923	144,961	5,647	6,869
Intangible assets	4	46,466	46,373	–	–
Subsidiaries	5	–	–	109,385	109,385
Jointly controlled entity	6	235	184	50	50
Other investments	7	390	475	183	243
Deferred tax assets	8	1,141	1,263	359	602
		179,155	193,256	115,624	117,149
Current Assets					
Inventories	9	39,327	35,175	18,724	14,255
Trade and other receivables	10	93,884	96,270	41,330	37,596
Cash and bank balances		18,810	15,665	10,139	9,331
		152,021	147,110	70,193	61,182
Total Assets		331,176	340,366	185,817	178,331
Equity attributable to equity holders of the parent					
Share capital	14	25,528	25,286	25,528	25,286
Reserves	16	112,718	103,371	71,649	58,867
		138,246	128,657	97,177	84,153
Minority interest		9,040	8,764	–	–
Total Equity		147,286	137,421	97,177	84,153
Non-Current Liabilities					
Interest-bearing liabilities	17	16,104	28,204	–	16,000
Deferred tax liabilities	8	2,170	2,086	–	–
		18,274	30,290	–	16,000
Current Liabilities					
Bank overdrafts (secured)	17	1,447	17,116	–	–
Trade and other payables	18	110,198	120,356	63,362	67,519
Interest-bearing liabilities	17	37,983	21,765	16,000	1,875
Current tax payable		15,988	13,418	9,278	8,784
		165,616	172,655	88,640	78,178
Total Liabilities		183,890	202,945	88,640	94,178
Total Equity and Liabilities		331,176	340,366	185,817	178,331

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

Profit and Loss Accounts

year ended 31 December 2005

	Note	2005 \$'000	Group 2004 \$'000 (restated)	2005 \$'000	Company 2004 \$'000 (restated)
Revenue	19	597,083	590,118	218,986	227,710
Cost of sales		(436,041)	(428,650)	(181,698)	(184,764)
Gross profit		161,042	161,468	37,288	42,946
Other income, net		3,072	5,387	14,757	8,629
Operating expenses -					
Warehousing, selling and distribution expenses		(34,883)	(34,990)	(13,691)	(15,033)
Administrative and other operating expenses		(75,924)	(82,020)	583	(7,859)
Profit from operations	20	53,307	49,845	38,937	28,683
Interest income		430	252	360	212
Finance costs	21	(3,350)	(2,390)	(550)	(499)
Share of results of jointly controlled entity		57	50	-	-
Profit from ordinary activities before taxation		50,444	47,757	38,747	28,396
Taxation	22	(13,385)	(11,340)	(4,958)	(4,817)
Profit for the year		37,059	36,417	33,789	23,579
Attributable to:					
Equity holders of the parent		36,078	35,615	33,789	23,579
Minority interests		981	802	-	-
Profit for the year		37,059	36,417	33,789	23,579
Earnings per share					
Basic	23	7.1 cents	7.1 cents		
Fully diluted	23	7.0 cents	7.1 cents		

Statement of Changes in Equity

year ended 31 December 2005

Group	Note	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Employee share options reserve \$'000	Equity compensation reserve \$'000	Treasury shares \$'000	Accumulated profits \$'000	Foreign currency translation reserve \$'000	Total attributable to equity holders of the parent \$'000	Minority interest \$'000	Total equity \$'000
At 31 December 2003, as previously reported		25,116	10,471	2,245	-	-	-	73,185	6,016	117,033	8,682	125,715
Effect of adopting FRS102	25	-	-	-	48	94	(2,359)	325	-	(1,892)	-	(1,892)
Prior year adjustment		-	-	-	-	-	-	(398)	-	(398)	-	(398)
At 31 December 2003, restated		25,116	10,471	2,245	48	94	(2,359)	73,112	6,016	114,743	8,682	123,425
Net profit for the year	25	-	-	-	-	-	-	35,615	-	35,615	802	36,417
Issue of shares		170	1,896	-	-	-	-	-	-	2,066	-	2,066
Equity compensation costs		-	-	-	226	143	-	-	-	369	-	369
Performance shares issued		-	-	-	-	-	838	-	-	838	-	838
Re-purchase of shares		-	-	-	-	-	(277)	-	-	(277)	-	(277)
Dividends paid	24	-	-	-	-	-	-	(20,148)	-	(20,148)	(602)	(20,750)
Dividends payable	24	-	-	-	-	-	-	(8,092)	-	(8,092)	-	(8,092)
Exchange differences on translation of net assets of foreign subsidiaries		-	-	-	-	-	-	-	3,543	3,543	(118)	3,425
At 31 December 2004, restated		25,286	12,367	2,245	274	237	(1,798)	80,487	9,559	128,657	8,764	137,421
At 31 December 2004, as previously reported		25,286	12,367	2,245	-	-	-	79,983	9,559	129,440	8,764	138,204
Effects of adopting FRS 102	25	-	-	-	274	237	(1,798)	855	-	(432)	-	(432)
Prior year adjustments		-	-	-	-	-	-	(351)	-	(351)	-	(351)
At 31 December 2004, restated		25,286	12,367	2,245	274	237	(1,798)	80,487	9,559	128,657	8,764	137,421
Effects of adopting FRS103		-	-	-	-	-	-	330	-	330	-	330
At 1 January 2005, restated		25,286	12,367	2,245	274	237	(1,798)	80,817	9,559	128,987	8,764	137,751
Net profit for the year	25	-	-	-	-	-	-	36,078	-	36,078	981	37,059
Issue of shares		242	3,192	-	-	-	-	-	-	3,434	-	3,434
Equity compensation costs		-	-	-	370	316	-	-	-	686	-	686
Performance shares issued		-	-	-	-	-	710	-	-	710	-	710
Dividends received		-	-	-	-	-	86	-	-	86	-	86
Re-purchase of shares		-	-	-	-	-	(437)	-	-	(437)	-	(437)
Dividends paid	24	-	-	-	-	-	-	(16,258)	-	(16,258)	(757)	(17,015)
Dividends payable	24	-	-	-	-	-	-	(8,986)	-	(8,986)	-	(8,986)
Exchange differences on translation of net assets of foreign subsidiaries		-	-	-	-	-	-	-	(6,054)	(6,054)	52	(6,002)
At 31 December 2005		25,528	15,559	2,245	644	553	(1,439)	91,651	3,505	138,246	9,040	147,286

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

Statement of Changes in Equity

year ended 31 December 2005

Company	Note	Share capital \$'000	Share premium \$'000	Employee share options reserve \$'000	Equity compensation reserve \$'000	Treasury shares \$'000	Accumulated profits \$'000	Total capital and reserves \$'000
At 31 December 2003, as previously reported		25,116	1,259	-	-	-	61,335	87,710
Effect of adopting FRS 102	25	-	-	48	94	(2,359)	325	(1,892)
At 31 December 2003, restated		25,116	1,259	48	94	(2,359)	61,660	85,818
Net profit for the year	25	-	-	-	-	-	23,579	23,579
Issue of shares		170	1,896	-	-	-	-	2,066
Equity compensation costs		-	-	226	143	-	-	369
Performance shares issued		-	-	-	-	838	-	838
Re-purchase of shares		-	-	-	-	(277)	-	(277)
Dividends paid	24	-	-	-	-	-	(20,148)	(20,148)
Dividends payable	24	-	-	-	-	-	(8,092)	(8,092)
At 31 December 2004, restated		25,286	3,155	274	237	(1,798)	56,999	84,153
At 31 December 2004, as previously reported		25,286	3,155	-	-	-	56,144	84,585
Effect of adopting FRS 102	25	-	-	274	237	(1,798)	855	(432)
At 31 December 2004, restated		25,286	3,155	274	237	(1,798)	56,999	84,153
Net profit for the year	25	-	-	-	-	-	33,789	33,789
Issue of shares		242	3,192	-	-	-	-	3,434
Equity compensation costs		-	-	370	316	-	-	686
Performance shares issued		-	-	-	-	710	-	710
Dividends received		-	-	-	-	86	-	86
Re-purchase of shares		-	-	-	-	(437)	-	(437)
Dividends paid	24	-	-	-	-	-	(16,258)	(16,258)
Dividends payable	24	-	-	-	-	-	(8,986)	(8,986)
At 31 December 2005		25,528	6,347	644	553	(1,439)	65,544	97,177

Statement of Cash Flows

year ended 31 December 2005

	Group	
	2005 \$'000	2004 \$'000 (restated)
Operating activities		
Profit from ordinary activities before taxation	50,444	47,757
Adjustments for:		
Amortisation of intangible assets	–	2,479
Depreciation of property, plant and equipment	19,895	18,173
Gain on disposal of property, plant and equipment	(65)	(1,872)
Interest expenses	3,350	2,390
Interest income	(430)	(252)
Provision for employee share option	370	226
Provision for cost of performance shares	316	143
Provision for diminution in value of other financial assets	60	–
Share of results of jointly controlled entity	(57)	(50)
	<hr/>	<hr/>
Operating profit before working capital changes	73,883	68,994
Changes in working capital:		
Inventories	(5,609)	4,030
Trade and other receivables	(2,778)	(12,229)
Trade and other payables	(5,196)	7,173
	<hr/>	<hr/>
Operating cash flow	60,300	67,968
Income taxes paid	(10,364)	(11,101)
	<hr/>	<hr/>
Cash flows from operating activities	49,936	56,867
Investing activities		
Acquisition of property, plant and equipment	(13,908)	(48,926)
Acquisition of subsidiary, net of cash acquired	–	(8,379)
Interest received	430	252
Proceeds from disposal of property, plant and equipment	338	4,496
	<hr/>	<hr/>
Cash flows from investing activities	(13,140)	(52,557)
Financing activities		
Issue of new shares	3,434	2,066
Repayment of finance lease obligations	(1,067)	(1,587)
(Repayment of)/proceeds from bank loans	(7,501)	23,871
Interest paid	(3,350)	(2,390)
Dividends paid	(24,354)	(20,148)
Dividends paid to minority shareholder of a subsidiary	(757)	(602)
	<hr/>	<hr/>
Cash flows from financing activities	(33,595)	1,210
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of year	15,665	10,186
Effect of exchange rate changes on balances held in foreign currency	(56)	(41)
	<hr/>	<hr/>
Cash and cash equivalents at end of year	18,810	15,665

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

Statement of Cash Flows

year ended 31 December 2005

Notes to Statement of Cash Flows:

During the year, the Group acquired property, plant and equipment with an aggregate cost of \$14,119,000 (2004: \$49,231,000) of which \$211,000 (2004: \$305,000) was acquired under finance leases.

The acquisition of a subsidiary was shown in the statement as a single item. The individual assets and liabilities at the date of acquisition is set out below:-

	2004 \$'000 (restated)
Property, plant and equipment	9,838
Inventories	4,646
Trade and other receivables	3,511
Cash	69
Trade and other payables	(6,666)
Overdraft	(731)
	<hr/>
Net assets acquired	10,667
Goodwill on acquisition	(473)
	<hr/>
Purchase consideration (including costs)	10,194
Less: Accrual for investment	(2,477)
	<hr/>
Cash paid	7,717
Cash and overdraft of subsidiary acquired	662
	<hr/>
Net cash flow on acquisition	<u>8,379</u>

Notes to the Financial Statements

year ended 31 December 2005

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 8 February 2006.

1 Domicile and Activities

Singapore Food Industries Limited (the "Company") is incorporated in the Republic of Singapore with its registered office at 234 Pandan Loop, Singapore 128422.

The principal activities of the Company are those relating to food distribution, food preparation, manufacturing and processing. The principal activities of the subsidiaries are set out in note 5 to the financial statements.

The consolidated financial statements for the year ended 31 December 2005 relate to the Company and its subsidiaries (referred to as the "Group") and the Group's interest in a jointly controlled entity.

The immediate and ultimate holding companies during the year were Ambrosia Investment Pte Ltd and Temasek Holdings (Private) Limited respectively. Both companies are incorporated in Singapore.

2 Summary of Significant Accounting Policies

2.1 Basis of Preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards including related Interpretations promulgated by the Council on Corporate Disclosure and Governance.

In 2005, the Group adopted the following new/revised FRSs which are relevant to its operations:

FRS 1 (revised)	<i>Presentation of Financial Statements</i>
FRS 2 (revised)	<i>Inventories</i>
FRS 8 (revised)	<i>Accounting Policies, Changes in Accounting Estimates and Error</i>
FRS 10 (revised)	<i>Events after the Balance Sheet Date</i>
FRS 16 (revised)	<i>Property, Plant and Equipment</i>
FRS 24 (revised)	<i>Related Party Disclosures</i>
FRS 27 (revised)	<i>Consolidated and Separate Financial Statements</i>
FRS 33 (revised)	<i>Earnings Per Share</i>
FRS 36 (revised)	<i>Impairment of Assets</i>
FRS 38 (revised)	<i>Intangible Assets</i>
FRS 39	<i>Financial Instruments: Recognition and Measurement</i>
FRS 102	<i>Share-based Payment</i>
FRS 103	<i>Business Combinations</i>

The effects of adopting the new/revised FRSs in 2005 are set out in note 25.

The financial statements, which are expressed in Singapore dollars, are prepared on the historical cost basis.

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

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

Notes to the Financial Statements

2.2 Functional Currency

The functional currency of the Company is the Singapore dollar. As the underlying assets of the Company and its sales and purchases are denominated primarily in Singapore dollar and receipts from operations are usually retained in Singapore dollar, the Directors are of the opinion that the Singapore dollar reflects the economic substance of the underlying events and circumstances relevant to the Company.

2.3 Consolidation

2.3.1 Subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

The difference between the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities and the cost of acquisition is accounted for in accordance with note 2.5.1 or 2.5.2.

2.3.2 Jointly Controlled Entities

Jointly controlled entities are enterprises over whose activities the Group has joint control, established by contractual agreement.

Investment in jointly controlled entity is stated in the Company's balance sheet at cost less impairment losses.

The consolidated financial statements include the Group's share of the total recognised gains and losses of the jointly controlled entity on an equity accounted basis, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds the carrying amount of the jointly controlled entity, the carrying amount is reduced to nil and recognition of further losses is discontinued unless the Group has incurred obligations in respect of the jointly controlled entity.

2.3.3 Transactions Eliminated on Consolidation

All significant intra-group transactions, balances and unrealised gains are eliminated on consolidation. Unrealised gains resulting from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3.4 Disposals

On disposal of a subsidiary or jointly controlled entity, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which had previously been dealt with as movement in Group reserves is included in the calculation of the profit and loss on disposal.

Notes to the Financial Statements

year ended 31 December 2005

2.4 Property, Plant and Equipment

2.4.1 Owned Assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided on a straight-line basis so as to write off items of property, plant and equipment over their estimated useful lives as follows: -

Freehold buildings	-	30 to 50 years
Leasehold land and buildings	-	Over period of lease not exceeding 30 years
Coldroom buildings	-	Over period of lease not exceeding 30 years
Plant and machinery, operating equipment	-	5 to 7 years
Motor vehicles	-	5 to 10 years
Other fixed assets	-	1 to 7 years

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

Fully depreciated assets are retained in the financial statements until they are no longer in use. The useful lives and residual values, if not significant, are reassessed annually.

2.4.2 Leased Assets

Leases for which the Group assumes substantially all risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss account. Capitalised lease assets are depreciated over the shorter of the economic useful life of the asset and the lease term.

2.5 Intangible Assets

2.5.1 Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Prior to 1 January 2005, goodwill for acquisitions was capitalised and amortised on a straight line basis in the consolidated profit and loss account over its estimated useful life of 20 years. In addition, goodwill was assessed for indications of impairment at each balance sheet date.

Since 1 January 2005, goodwill is no longer amortised but tested annually for impairment or whenever there is indication of impairment, as described in note 2.9. The accumulated amortisation for goodwill as at 1 January 2005 has been eliminated with a corresponding decrease in the cost of goodwill.

Goodwill arising on acquisition of subsidiaries that occurred prior to 1 January 2001 was written off against reserves and has not been retrospectively capitalised and amortised.

In arriving at the gain or loss on disposal of an entity, the carrying value of goodwill relating to the entity disposed of, is included as part of the cost of investment.

Notes to the Financial Statements

year ended 31 December 2005

2.5.2 Negative Goodwill

Negative goodwill arising on acquisition represents the excess of the fair value of the identifiable net assets acquired over the cost of acquisition.

Prior to 1 January 2005, negative goodwill was presented as a deduction from assets in the same balance sheet classification as goodwill.

Since 1 January 2005, negative goodwill arising on acquisition is recognised immediately in the profit and loss account. The previously recognised negative goodwill as at 1 January 2005 has been derecognised and a corresponding adjustment made to the opening retained earnings.

2.5.3 Transferable Licences

Fishing licences are stated at cost less accumulated amortisation and impairment losses.

Prior to 1 January 2005, fishing licences are amortised on a straight line basis in the consolidated profit and loss account over its presumed useful life of 20 financial years. In addition, fishing licences was assessed for indications of impairment at each balance sheet date.

Since 1 January 2005, fishing licences with indefinite life is no longer amortised but tested annually for impairment or whenever there is indication of impairment, as described in note 2.9. The accumulated amortisation for fishing licences as at 1 January 2005 has been eliminated with a corresponding decrease in the cost of fishing licences.

2.6 Other Investments

Equity securities available-for-sale are stated at fair value, with any resultant gain or loss recognised directly in equity. Fair value is determined as the quoted bid price at the balance sheet date.

Equity securities available-for-sale which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment losses which, in the opinion of the directors, are other than temporary.

Profits or losses on disposal of equity security available-for-sale is determined as the difference between the net disposal proceeds and the carrying amount of the equity security and is accounted for in the profit and loss account as it arises.

2.7 Inventories

Inventories, which comprise inventories of stores, food products and raw materials, are stated at the lower of cost, determined on a weighted average basis, and net realisable value. In arriving at net realisable value, due allowance is made for all obsolete and slow moving inventories.

2.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management. Secured bank overdrafts are excluded as they are used by the Group for its financing activities.

Notes to the Financial Statements

year ended 31 December 2005

2.9 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

Goodwill and fishing licences are tested for impairment annually and as and when indicators of impairment are identified.

Impairment losses recognised in respect of cash-generating units are allocated first to the carrying amount of the cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

2.10 Liabilities and Interest-Bearing Liabilities

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

2.11 Equity Compensation Benefits

2.11.1 Singapore Food Industries Share Option Plan

The fair value of share options issued to directors and employees after 22 November 2002 and vested after 1 January 2005 are amortised and charged to the profit and loss account over the vesting period of the options. The total amount to be amortised and charged to profit and loss account is adjusted at each reporting date for invested options outstanding and actual number of options that ultimately vest. The fair values are determined at the date of grant of the options using option-pricing models. The Group has adopted the Hull-White Model (Enhanced Trinomial Method) to estimate the fair value of the share options granted to directors and employees. When the options are exercised, equity is increased by the amount of the proceeds received.

2.11.2 Singapore Food Industries Performance Share Plan

The fair values of performance shares awarded to directors and employees are amortised and charged to the profit and loss account on a basis that fairly reflects the performance period to which the performance criteria relates. The fair values for awards granted after 22 November 2002 are determined using a Monte-Carlo simulation model. This model takes into account the probability of achieving the performance conditions in the future.

At each balance sheet date, the Group revises its estimates of the number of performance shares that the participants are expected to receive based on the achievement of non-market performance conditions only. The difference is charged or credited to the profit and loss account, with a corresponding adjustment to equity.

The final measure of compensation cost is based on the number of shares ultimately awarded and the average cost of holding at the time of award.

2.12 Deferred Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the Financial Statements

year ended 31 December 2005

2.13 Share Capital

Ordinary shares are classified as equity.

Where share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, is presented as a deduction from equity. Where such shares are subsequently reissued, sold or cancelled, the consideration received is recognised as a change in equity. No gain or loss is recognised in the profit and loss account.

2.14 Revenue Recognition

2.14.1 Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services and other sales taxes and is after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2.14.2 Dividend Income

Dividend income is recognised in the profit and loss account when the right to receive payment is established.

2.14.3 Interest Income

Interest income is recognised on an accrual basis.

2.15 Operating Leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

2.16 Finance Costs

Interest expense and similar charges are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

The interest component of finance lease payments is recognised in the profit and loss account using the effective interest rate method.

2.17 Dividends

Dividends on ordinary shares are recognised as a liability in the period in which the shareholder's right to receive dividend is established.

2.18 Foreign Currencies

2.18.1 Foreign Currency Transactions

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange approximate to those ruling at the balance sheet date. Transactions in foreign currencies are translated at rates ruling on transaction dates. Translation differences are included in the profit and loss account.

2.18.2 Foreign Entities

Assets and liabilities of foreign entities including goodwill and fair value adjustments arising on consolidation are translated to Singapore dollars at the rates of exchange ruling at the balance sheet date. The results of foreign entities are translated at the average exchange rates for the year. Exchange differences arising on translation are recognised directly in equity. On disposal, the accumulated translation differences are recognised in the consolidated profit and loss account as part of the gain or loss on disposal.

Notes to the Financial Statements

year ended 31 December 2005

2.19 Derivative Financial Instruments

Derivative financial instruments such as forward exchange contracts are used to manage exposure to foreign exchange risk arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes.

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, any gain or loss on the hedging instrument is recognised in the profit and loss account.

3 Property, Plant and Equipment

Group Cost	Freehold land and buildings \$'000	Leasehold land and buildings \$'000	Coldroom buildings \$'000	Plant and machinery \$'000	Operating equipment \$'000	Office and computer equipment, furniture and fittings \$'000	Motor vehicles \$'000	Total \$'000
At 1 January 2004	11,403	70,526	15,503	93,490	22,874	13,300	8,428	235,524
Additions	3,735	1,702	-	42,272	195	973	354	49,231
Acquisition of subsidiary	9,253	-	-	17,812	-	-	-	27,065
Disposals/write-offs	(3,155)	(283)	-	(277)	(328)	(1,512)	(705)	(6,260)
Transfers	-	4,785	-	(4,785)	-	-	-	-
Translation adjustments	571	569	-	4,018	176	239	109	5,682
At 31 December 2004, as previously reported	21,807	77,299	15,503	152,530	22,917	13,000	8,186	311,242
Fair value adjustment	-	-	-	(2,479)	-	-	-	(2,479)
At 31 December 2004, restated	21,807	77,299	15,503	150,051	22,917	13,000	8,186	308,763
At 1 January 2005, as previously reported	21,807	77,299	15,503	152,530	22,917	13,000	8,186	311,242
Fair value adjustment	-	-	-	(2,479)	-	-	-	(2,479)
At 1 January 2005, restated	21,807	77,299	15,503	150,051	22,917	13,000	8,186	308,763
Additions	4,466	100	-	7,533	227	1,249	544	14,119
Disposals/write-offs	-	-	-	(554)	(221)	(41)	(720)	(1,536)
Transfers	10,725	184	-	(14,053)	-	3,144	-	-
Translation adjustments	(1,790)	(1,589)	-	(11,153)	(329)	(433)	(167)	(15,461)
At 31 December 2005	35,208	75,994	15,503	131,824	22,594	16,919	7,843	305,885

Notes to the Financial Statements

year ended 31 December 2005

Group Accumulated Depreciation	Freehold land and buildings \$'000	Leasehold land and buildings \$'000	Coldroom buildings \$'000	Plant and machinery \$'000	Operating equipment \$'000	Office and computer equipment, furniture and fittings \$'000	Motor vehicles \$'000	Total \$'000
At 1 January 2004	2,408	20,870	10,453	62,384	18,738	10,371	6,167	131,391
Prior year adjustment	-	398	-	-	-	-	-	398
At 1 January 2004, restated	2,408	21,268	10,453	62,384	18,738	10,371	6,167	131,789
Additions	613	2,960	765	9,493	1,600	1,683	1,059	18,173
Acquisition of subsidiary	1,591	-	-	13,692	-	-	-	15,283
Disposals/write-offs	(727)	(257)	-	(186)	(307)	(1,505)	(654)	(3,636)
Translation adjustments	94	95	-	2,720	62	168	96	3,235
At 31 December 2004	3,979	24,066	11,218	88,103	20,093	10,717	6,668	164,844
Fair value adjustment	200	-	-	(1,242)	-	-	-	(1,042)
At 31 December 2004, restated	4,179	24,066	11,218	86,861	20,093	10,717	6,668	163,802
At 1 January 2005, as previously reported	3,979	23,715	11,218	88,103	20,093	10,717	6,668	164,493
Prior year adjustment	-	351	-	-	-	-	-	351
Fair value adjustment	200	-	-	(1,242)	-	-	-	(1,042)
At 1 January 2005, restated	4,179	24,066	11,218	86,861	20,093	10,717	6,668	163,802
Additions	1,108	3,391	650	11,313	1,164	1,860	409	19,895
Disposals/write-offs	-	-	-	(287)	(218)	(41)	(717)	(1,263)
Transfers	68	-	-	(706)	-	638	-	-
Translation adjustments	(271)	(253)	-	(6,230)	(215)	(359)	(144)	(7,472)
At 31 December 2005	5,084	27,204	11,868	90,951	20,824	12,815	6,216	174,962
Carrying Amount								
At 1 January 2004, restated	8,995	49,258	5,050	31,106	4,136	2,929	2,261	103,735
At 31 December 2004, restated	17,628	53,233	4,285	63,190	2,824	2,283	1,518	144,961
At 1 January 2005, restated	17,628	53,233	4,285	63,190	2,824	2,283	1,518	144,961
At 31 December 2005	30,124	48,790	3,635	40,873	1,770	4,104	1,627	130,923

Notes to the Financial Statements

year ended 31 December 2005

Company Cost	Buildings on leasehold land \$'000	Coldroom buildings \$'000	Plant and machinery \$'000	Operating equipment \$'000	Office and computer equipment, furniture and fittings \$'000	Motor vehicles \$'000	Total \$'000
At 1 January 2004	1,175	15,503	4,904	13,185	5,556	5,464	45,787
Additions	-	-	20	104	275	4	403
Disposals/write-offs	-	-	-	(328)	(1,240)	(161)	(1,729)
At 31 December 2004	1,175	15,503	4,924	12,961	4,591	5,307	44,461
At 1 January 2005	1,175	15,503	4,924	12,961	4,591	5,307	44,461
Additions	-	-	12	139	51	162	364
Disposals/write-offs	-	-	-	(153)	(37)	(542)	(732)
At 31 December 2005	1,175	15,503	4,936	12,947	4,605	4,927	44,093
Accumulated Depreciation							
At 1 January 2004	554	10,453	4,828	12,252	4,903	3,812	36,802
Additions	39	765	30	466	543	641	2,484
Disposals/write-offs	-	-	-	(307)	(1,236)	(151)	(1,694)
At 31 December 2004	593	11,218	4,858	12,411	4,210	4,302	37,592
At 1 January 2005	593	11,218	4,858	12,411	4,210	4,302	37,592
Additions	39	765	20	330	260	166	1,580
Disposals/write-offs	-	-	-	(150)	(37)	(539)	(726)
At 31 December 2005	632	11,983	4,878	12,591	4,433	3,929	38,446
Carrying Amount							
At 1 January 2004	621	5,050	76	933	653	1,652	8,985
At 31 December 2004	582	4,285	66	550	381	1,005	6,869
At 1 January 2005	582	4,285	66	550	381	1,005	6,869
At 31 December 2005	543	3,520	58	356	172	998	5,647

Notes to the Financial Statements

year ended 31 December 2005

The carrying amount of property, plant and equipment of the Group include amounts totalling \$1,330,000 (2004: \$2,137,000) in respect of plant, equipment and motor vehicles held under finance leases.

The prior year adjustment of the Group relates to correction of the useful life over which the leasehold properties of a subsidiary are depreciated. The effect of the correction on depreciation for the year was not significant.

In 2005, the Group completed its valuation of the net assets of subsidiary, Cresset Limited, acquired on 16 March 2004, after the 2004 financial statements were issued. As a result of changes in the valuation, the fair value attributed to net assets has been reduced by \$1,437,000. The financial statements for the year ended 31 December 2004 has been restated for this effect.

4 Intangible Assets

Group	Negative Goodwill \$'000	Goodwill \$'000	Fishing Licences \$'000	Total \$'000
Cost				
At 1 January 2004	–	51,474	5,363	56,837
Arising from business combination	(1,910)	–	–	(1,910)
Translation adjustment	–	336	(29)	307
At 31 December 2004	(1,910)	51,810	5,334	55,234
Fair value adjustment	1,437	–	–	1,437
At 31 December 2004, restated	(473)	51,810	5,334	56,671
At 31 December 2004, as previously reported	(1,910)	51,810	5,334	55,234
Fair value adjustment	1,437	–	–	1,437
At 31 December 2004, restated	(473)	51,810	5,334	56,671
Effect of adopting FRS 103	473	(9,759)	(682)	(9,968)
At 1 January 2005, restated	–	42,051	4,652	46,703
Translation adjustment	–	(112)	(125)	(237)
At 31 December 2005	–	41,939	4,527	46,466
Accumulated Amortisation				
At 1 January 2004	–	7,130	429	7,559
Amortisation charge for the year	(143)	2,369	253	2,479
Translation adjustment	–	260	–	260
At 31 December 2004, restated	(143)	9,759	682	10,298
At 1 January 2005, as previously reported	(143)	9,759	682	10,298
Effects of adopting FRS 103	143	(9,759)	(682)	(10,298)
At 1 January 2005, restated	–	–	–	–
Carrying Amount				
At 1 January 2004	–	44,344	4,934	49,278
At 31 December 2004, restated	(330)	42,051	4,652	46,373
At 1 January 2005, restated	–	42,051	4,652	46,703
At 31 December 2005	–	41,939	4,527	46,466

Notes to the Financial Statements

year ended 31 December 2005

Impairment Tests for Cash-Generating Units Containing Goodwill

Goodwill is allocated to the Group's cash-generating unit (CGU) in S Daniels plc:

	Food Preparation, Manufacturing and Processing	
	2005	2004
	\$'000	\$'000
Europe/United Kingdom	41,939	42,051

The recoverable amount of a CGU is determined based on value-in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The growth rate does not exceed the long-term average growth rate for the industry in which the CGU operates.

The key assumptions used for the value-in-use calculations were as follows:

	%
Average gross margin	31.4
Sales growth rate	10.8
Discount rate	9.3

These assumptions have been used for the analysis of the CGU within the business segment. Management determined the budgeted gross margin based on past performance and its expectation for market development. The compounded average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the business segment.

5 Subsidiaries

	Company	
	2005	2004
	\$'000	\$'000
Unquoted ordinary shares, at cost	113,699	113,699
Impairment losses	(4,314)	(4,314)
	<u>109,385</u>	<u>109,385</u>

Notes to the Financial Statements

year ended 31 December 2005

Details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Activities	Place of Incorporation and Business	Effective Equity held by the Group		Cost of Investment	
			2005 %	2004 %	2005 \$'000	2004 \$'000
International Cuisine Limited and its subsidiaries @	Production and marketing of chilled ready cooked food	United Kingdom	100	100	2,670	2,670
- Cresset Limited	Manufacture of food products and chilled ready cooked food	Republic of Ireland	100	100	-	-
- Swissco Limited	Manufacture of food products and chilled ready cooked food	Republic of Ireland	100	100	-	-
- Swissco Manufacturing Limited	Manufacture of food products and chilled ready cooked food	Republic of Ireland	100	100	-	-
Singfood Pte Ltd # (formerly known as LM Food Industries Pte Ltd)	Contract manufacturing of food products	Singapore	100	100	755	755
Myanmar ST Food Industries Ltd *	Dormant	Myanmar	100	100	135	135
Piesin Sdn Bhd *	Voluntary liquidation	Malaysia	100	100	3,248	3,248
Primary Industries Pte Ltd and its subsidiaries #	Provision of abattoir services	Singapore	78.5	78.5	13,569	13,569
- Farmers Abattoir Pte Ltd	Abattoir related activities	Singapore	78.5	78.5	-	-
- Hog Auction Market Pte Ltd	Auctioneers of pigs	Singapore	78.5	78.5	-	-
Primary Industries (Qld) Pty Ltd and its subsidiaries @	Provision of land logistics support	Australia	100	100	664	664
- Schulz Fisheries Pty Ltd	Commercial fishing	Australia	50	50	-	-
- Urangan Fisheries Pty Ltd	Processing of seafood	Australia	51	51	-	-
SFI Industries Pty Ltd @	Provision of management services	Australia	100	100	1,869	1,869
Shanghai ST Food Industries Co., Ltd @	Manufacture and sale of frozen foodstuff	People's Republic of China	96	96	5,814	5,814
Balance carried forward					28,724	28,724

Notes to the Financial Statements

year ended 31 December 2005

Name of Subsidiary	Principal Activities	Place of Incorporation and Business	Effective Equity held by the Group		Cost of Investment	
			2005 %	2004 %	2005 \$'000	2004 \$'000
Balance brought forward					28,724	28,724
Singapore Food Development Pte Ltd #	Investment holding	Singapore	100	100	1,307	1,307
SFI Food Pte. Ltd. (formerly known as ST Agritech International Pte Ltd #)	Provision of technical and management services for agri-food business	Singapore	100	100	10,000	10,000
S Daniels plc and its subsidiaries @	Investment holding	United Kingdom	100	100	73,668	73,668
- All Square Foods Limited	Dormant	United Kingdom	100	100	-	-
- Bilash Foods Limited	Dormant	United Kingdom	100	100	-	-
- Brash Brothers Limited	Dormant	United Kingdom	100	100	-	-
- Copak Vendona Limited	Dormant	United Kingdom	100	100	-	-
- Daniels Chilled Foods Limited	Production and marketing of chilled soup, freshly squeezed juices, fresh salads and sandwich fillings	United Kingdom	100	100	-	-
- Daniels Foods Limited	Dormant	United Kingdom	100	100	-	-
- Daniels Group Limited	Dormant	United Kingdom	100	100	-	-
- Get Fresh Limited	Dormant	United Kingdom	100	100	-	-
- Johnsons Fresh Products Limited	Dormant	United Kingdom	100	100	-	-
- Johnsons Freshly Squeezed Juice Limited	Dormant	United Kingdom	100	100	-	-
- Juice Limited	Dormant	United Kingdom	100	100	-	-
- New Covent Garden Food Company Limited	Dormant	United Kingdom	100	100	-	-
Balance carried forward					113,699	113,699

Notes to the Financial Statements

year ended 31 December 2005

Name of Subsidiary	Principal Activities	Place of Incorporation and Business	Effective Equity held by the Group		Cost of Investment	
			2005 %	2004 %	2005 \$'000	2004 \$'000
Balance brought forward					113,699	113,699
- S Daniel Dried Fruit Limited	Dormant	United Kingdom	100	100	-	-
- Sun-Ripe Limited	Dormant	United Kingdom	100	100	-	-
- The New Covent Garden Soup Company Limited	Dormant	United Kingdom	100	100	-	-
					<u>113,699</u>	<u>113,699</u>

Audited by KPMG Singapore.

@ Audited by other member firms of KPMG International.

* Audited by other certified public accountants. Subsidiary is not significant as defined under Clause 718 of the SGX-ST Listing Manual.

6 Jointly Controlled Entity

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Unquoted ordinary shares, at cost	50	50	50	50
Share of post-acquisition profits	185	134	-	-
	<u>235</u>	<u>184</u>	<u>50</u>	<u>50</u>

Details of the jointly controlled entity are as follows:

Name of Jointly Controlled Entity	-	SembCorp Network Pte Ltd #
Principal Activities	-	Provision of logistics support and services
Place of Incorporation and Business	-	Singapore
Effective Equity Held by the Group	-	50% (2004: 50%)

Audited by KPMG Singapore.

Notes to the Financial Statements

year ended 31 December 2005

The Group's share of the results, assets and liabilities of the jointly controlled entity are as follows:

	2005 \$'000	2004 \$'000
Results		
Revenue	65	58
Expenses	(8)	(8)
Profit before taxation	57	50
Taxation	(6)	4
Profit after taxation	<u>51</u>	<u>54</u>
Assets and Liabilities		
Current Assets	242	188
Current Liabilities	(7)	(4)
Net Assets	<u>235</u>	<u>184</u>

7 Other Investments

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
At cost				
- Unquoted equity investments	207	232	-	-
- Unquoted transferable club membership	458	458	458	458
	665	690	458	458
Impairment losses	(275)	(215)	(275)	(215)
	<u>390</u>	<u>475</u>	<u>183</u>	<u>243</u>

Notes to the Financial Statements

year ended 31 December 2005

8 Deferred Tax

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the financial year were as follows:

Group	At 1/1/2005 (restated) \$'000	Credit/ (charge) to income (Note 22) \$'000	Translation adjustment \$'000	At 31/12/2005 \$'000
Property, plant and equipment	(2,500)	(114)	156	(2,458)
Inventories	246	–	–	246
Trade and other receivables	319	–	–	319
Provisions	527	(13)	(19)	495
Employee benefits	580	(162)	(54)	364
Other assets	5	–	–	5
	<u>(823)</u>	<u>(289)</u>	<u>83</u>	<u>(1,029)</u>
Comprising:				
Deferred tax assets	1,263	(108)	(14)	1,141
Deferred tax liabilities	(2,086)	(181)	97	(2,170)
	<u>(823)</u>	<u>(289)</u>	<u>83</u>	<u>(1,029)</u>
Company				
Property, plant and equipment	(398)	–	–	(398)
Inventories	246	–	–	246
Trade and other receivables	314	–	–	314
Provisions	435	(243)	–	192
Other assets	5	–	–	5
	<u>602</u>	<u>(243)</u>	<u>–</u>	<u>359</u>
Comprising:				
Deferred tax assets	602	(243)	–	359

The following temporary differences have not been recognised:

	Group		Company	
	2005 \$'000	2004 \$'000 (restated)	2005 \$'000	2004 \$'000
Deductible temporary differences	627	–	–	–
Tax losses	8,153	1,936	–	–
	<u>8,780</u>	<u>1,936</u>	<u>–</u>	<u>–</u>

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items in accordance with the Group's accounting policy as set out in note 2.12.

Notes to the Financial Statements

year ended 31 December 2005

9 Inventories

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
At cost -				
Stores	1,282	1,096	-	-
Raw materials	12,398	13,430	-	-
Finished goods	27,396	22,989	19,980	15,511
	41,076	37,515	19,980	15,511
Less:				
Allowance for obsolescence -				
At 1 January	2,340	1,844	1,256	1,268
Acquisition of subsidiary	-	172	-	-
Allowance made during the year	461	672	-	-
Inventories written off	(982)	(387)	-	(12)
Translation adjustment	(70)	39	-	-
At 31 December	1,749	2,340	1,256	1,256
	39,327	35,175	18,724	14,255

10 Trade and Other Receivables

	Note	Group		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade receivables	11	80,392	82,005	36,729	33,565
Deposits, prepayments and other receivables	12	13,489	14,263	1,724	1,755
Amounts due from					
- subsidiaries	13	-	-	2,874	2,274
- related companies (trade)		3	2	3	2
		93,884	96,270	41,330	37,596

Notes to the Financial Statements

year ended 31 December 2005

11 Trade Receivables

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade receivables	90,100	92,009	39,023	35,961
Less:				
Allowance for -				
- doubtful receivables	4,980	6,071	2,294	2,396
- trade discounts	4,728	3,933	-	-
	<u>9,708</u>	<u>10,004</u>	<u>2,294</u>	<u>2,396</u>
	80,392	82,005	36,729	33,565
Allowance for doubtful receivables -				
At 1 January	6,071	7,042	2,396	3,292
Acquisition of subsidiary	-	4	-	-
Allowance made/(written back) during the year	275	(407)	156	(253)
Bad debts written off	(1,110)	(742)	(258)	(643)
Translation adjustment	(256)	174	-	-
At 31 December	<u>4,980</u>	<u>6,071</u>	<u>2,294</u>	<u>2,396</u>
Allowance for trade discounts -				
At 1 January	3,933	3,332	-	-
Allowance made during the year	6,922	6,614	-	-
Trade discounts utilised	(5,762)	(6,211)	-	-
Translation adjustment	(365)	198	-	-
At 31 December	<u>4,728</u>	<u>3,933</u>	<u>-</u>	<u>-</u>

12 Deposits, Prepayments and Other Receivables

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Deposits	104	105	86	86
Prepayments	7,589	6,817	1,118	1,567
Staff loans	4	12	-	8
Other receivables	5,792	7,329	520	94
	<u>13,489</u>	<u>14,263</u>	<u>1,724</u>	<u>1,755</u>

Notes to the Financial Statements

year ended 31 December 2005

13 Amounts Due from/to Subsidiaries

	Company	
	2005 \$'000	2004 \$'000
Amounts due from subsidiaries (note 10)		
- trade receivables	537	39
- loans receivable	2,337	2,235
	<u>2,874</u>	<u>2,274</u>
Amounts due to subsidiaries (note 18)		
- trade payables	2,430	2,091
- loans payable	19,501	16,003
	<u>21,931</u>	<u>18,094</u>

Transactions with the subsidiaries are unsecured and priced on an arm's length basis. There is no allowance for doubtful debts arising from the outstanding balances.

14 Share Capital

	2005		2004	
	No. of shares ('000)	\$'000	No. of shares ('000)	\$'000
Authorised:				
Ordinary shares of \$0.05 each	1,500,000	75,000	1,500,000	75,000
Issued and fully paid:				
At 1 January	505,724	25,286	502,323	25,116
Issue of shares under share option (Note 15)	4,835	242	3,401	170
At 31 December	<u>510,559</u>	<u>25,528</u>	<u>505,724</u>	<u>25,286</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All shares rank equally with regards to the Company's residual assets.

During the financial year, the Company issued a total of 4,834,800 ordinary shares of \$0.05 each fully paid for cash upon the exercise of options granted under the Company's share option plan.

At the end of the financial year, unissued ordinary shares of \$0.05 each of the Company granted/ conditionally awarded to eligible employees and directors of the Company and the Group under equity compensation plans were as follows:-

	No. of unissued shares	
	2005	2004
Singapore Food Industries		
- Share Option Plan	22,264,100	22,272,700
- Performance Share Plan	Up to 7,890,000	Up to 7,240,000
	<u>Up to 30,154,100</u>	<u>Up to 29,512,700</u>

During the financial year, the Company has re-purchased 388,000 ordinary shares. The total consideration of shares bought back on market was \$436,500, being an average market price, including incidental costs, of \$1.125 per share. This amount was classified as a deduction from equity under "Treasury shares".

Notes to the Financial Statements

year ended 31 December 2005

15 Equity Compensation Benefits

Share Option Plan

The Singapore Food Industries Share Option Plan (the "Option Plan") of the Company was approved and adopted by its members at the Extraordinary General Meeting held on 28 October 1999. The Option Plan is administered by the Executive Resource and Compensation Committee ("ERCC") which comprises the following members:-

George Huang Chang Yi	(Resigned on 9 January 2006)
Tan Yam Pin	(Appointed on 1 December 2005)
Philip Tan Yuen Fah	
Chow Kok Kee	
Margaret Lui-Chan Ann Soo	(Appointed on 1 December 2005)

The main features of the Option Plan are as summarised as follows:

- The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. However, to-date, no options have been granted at a discount to market price.
- The 1999 options vested on the 2nd anniversary of the grant date. From 2000 onwards, options granted vest 25% each on the 1st to the 4th anniversary of the grant date.
- The options granted expire after 5 years from the date of the grant for non-executive directors and 10 years for group and parent group executives.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Hull-White Model (Enhanced Trinomial Method).

The fair value of the share options and the assumptions used are as follows:

Date of grant of options	4 August 2003	10 June 2004	13 June 2005
Fair value at grant date	\$0.095	\$0.062	\$0.090
Share price	\$0.76	\$0.80	\$0.99
Exercise price	\$0.76	\$0.80	\$0.99
Expected volatility	24.84%	16.68%	16.41%
Exercise multiple	1.1	1.1	1.3
Expected dividends	6.11%	6.51%	5.74%
Risk free interest rate	2.22% - 3.17%	2.23% - 3.32%	2.26% - 2.60%
Post-vesting forfeiture rate	0% - 3.2%	0% - 3.2%	0% - 3.2%

The expected life used in the model has been adjusted, based on historical exercise behaviour and forfeiture rates.

The expected volatility is based on historical volatility (calculated based on 36 months closing share price returns prior grant date).

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

Notes to the Financial Statements

year ended 31 December 2005

Performance Share Plan

The Singapore Food Industries Performance Share Plan (the "Performance Share Plan") of the Company was approved and adopted by its members at the Extraordinary General Meeting held on 30 March 2001. The Performance Share Plan is administered by the ERCC.

The main features of the Performance Share Plan are summarised as follows:-

- (a) The awards of performance shares are given conditional on performance targets set based on medium-term corporate objectives.
- (b) The final number of shares given will depend on the level of achievement of the targets over a three-year performance period and will only be released at the end of each performance period.

The fair value of services rendered in return for performance shares awarded are measured by reference to the fair value of performance shares granted. The estimate of the fair value of the services received is measured based on the Monte Carlo Simulation Model.

The fair value of the performance shares and the assumptions used are as follows:

Date of grant of Performance Shares	20 February 2003	23 June 2004	21 June 2005
Fair value at grant date	\$0.23	\$0.12	\$0.34
Share price	\$0.69	\$0.82	\$1.05
Volatility of MSCI*	19.98%	20.18%	16.13%
Volatility of SFI	24.71%	18.87%	17.18%
Correlation of SFI and MSCI*	30.70%	26.45%	33.32%
Dividend yield of SFI	6.11%	6.51%	5.74%
Risk-free rate	1.14%	1.57%	2.41%

* Morgan Stanley Capital International AC Asia Pacific Excluding Japan Industrials Index.

Restricted Stock Plan

The Singapore Food Industries Restricted Stock Plan (the "Restricted Plan") of the Company was approved and adopted by its members at the Extraordinary General Meeting held on 30 March 2001. The Restricted Plan is administered by the ERCC.

The main features of the Restricted Plan are summarised as follows:

- (a) Restricted share awards vest upon the satisfactory completion of time-based service conditions.
- (b) Performance related restricted share awards vest upon satisfactory completion of a period of service beyond a performance-target completion date.
- (c) To-date, no share awards have been granted under the Restricted Plan.

Notes to the Financial Statements

year ended 31 December 2005

At 31 December 2005, details of the options granted under the Option Plan and conditional awards given under the Performance Share Plan for unissued ordinary shares of \$0.05 each of the Company were as follows:-

Date of Grant	Exercise Price	Outstanding 1 Jan 2005	Granted	Exercised/ Awarded	Cancelled/ Lapsed	Outstanding 31 Dec 2005	Exercisable 1 Jan 2005	Exercisable 31 Dec 2005	Proceeds on Exercise Credited to		Exercise Period
									Share Capital \$'000	Share Premium \$'000	
Share Options:											
1999	\$0.78	2,372,000	-	(839,000)	(58,500)	1,474,500	2,372,000	1,474,500	42	612	30/10/2001 - 29/10/2009
2000	\$0.55	160,000	-	(160,000)	-	-	160,000	-	8	80	24/08/2001 - 23/08/2005
2000	\$0.55	1,038,950	-	(552,250)	(45,200)	441,500	1,038,950	441,500	28	276	24/08/2001 - 23/08/2010
2001	\$0.69	397,500	-	(257,500)	-	140,000	298,125	140,000	13	164	28/07/2002 - 27/07/2006
2001	\$0.69	3,649,500	-	(1,593,800)	(161,500)	1,894,200	2,737,125	1,894,200	80	1,020	28/07/2002 - 27/07/2011
2002	\$0.78	385,000	-	(155,000)	-	230,000	192,500	180,000*	8	113	09/08/2003 - 08/08/2007
2002	\$0.78	4,284,250	-	(605,500)	(295,050)	3,383,700	2,142,125	2,537,775	30	442	09/08/2003 - 08/08/2012
2003	\$0.76	382,500	-	(27,500)	-	355,000	95,625	200,000*	1	20	05/08/2004 - 04/08/2008
2003	\$0.76	4,441,500	-	(468,250)	(161,500)	3,811,750	1,110,375	1,905,875	23	333	05/08/2004 - 04/08/2013
2004	\$0.80	370,000	-	-	-	370,000	-	137,500*	-	-	12/06/2005 - 11/06/2009
2004	\$0.80	4,791,500	-	(176,000)	(155,250)	4,460,250	-	1,115,063	9	132	12/06/2005 - 11/06/2014
2005	\$0.99	-	380,000	-	-	380,000	-	60,000*	-	-	14/06/2006 - 13/06/2010
2005	\$0.99	-	6,026,200	-	(703,000)	5,323,200	-	-	-	-	14/06/2006 - 13/06/2015
		22,272,700	6,406,200	(4,834,800) [@]	(1,580,000)	22,264,100	10,146,825	10,086,413	242	3,192	

Performance Shares:

2002	-	Up to 1,910,000	-	(955,000)	(955,000)	-
2003	-	Up to 2,690,000	-	-	-	Up to 2,690,000
2004	-	Up to 2,640,000	-	-	-	Up to 2,640,000
2005	-	-	Up to 2,560,000	-	-	Up to 2,560,000
Total		Up to 7,240,000	Up to 2,560,000	(955,000)	(955,000)	Up to 7,890,000

* Share option granted for Patrick Yeoh Khwai Hoh and Roger Yeo Kok Tong vested immediately with effect from their respective dates of resignation and has a exercise period of 18 months from date of resignation.

[@] The daily closing price of the shares during the financial year ranged from \$0.90 to \$1.21 per share.

16 Reserves

Share Premium

The application of the share premium account is governed by Sections 69 to 69F of the Companies Act, Chapter 50.

Merger Reserve

Merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of business combinations accounted for under the pooling of interest method.

Employee Share Option Reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options.

Equity Compensation Reserve

The equity compensation reserve comprises the cumulative value of key employee services received for the shares awarded upon meeting certain performance targets.

Treasury Shares

This represents the value of shares, purchased for the Performance Share Plan, which are held in trust by a fund manager on behalf of the Company.

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.

Notes to the Financial Statements

year ended 31 December 2005

17 Interest-Bearing Bank Liabilities

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Secured bank loans	31,726	25,621	-	-
Unsecured bank loans	21,127	22,258	16,000	17,875
Finance lease liabilities	1,234	2,090	-	-
	54,087	49,969	16,000	17,875
Payable:				
Within 1 year				
- secured bank loans	16,192	14,676	-	-
- unsecured bank loans	21,127	6,258	16,000	1,875
- finance lease liabilities	664	831	-	-
	37,983	21,765	16,000	1,875
After 1 year but within 5 years				
- secured bank loans	15,534	10,945	-	-
- unsecured bank loans	-	16,000	-	16,000
- finance lease liabilities	570	1,259	-	-
	16,104	28,204	-	16,000
	54,087	49,969	16,000	17,875

(a) Secured Bank Loans and Overdrafts

The secured banking facilities of the Group, comprising term loans and overdrafts, are secured on the assets of certain subsidiaries with a total carrying value at 31 December 2005 of \$186,154,000 (2004: \$198,219,000).

Information on interest rates, currency and maturity of secured and unsecured bank loans and overdrafts are set out in note 28.

(b) Finance Lease Liabilities

	Payments \$'000	Interest \$'000	Principal \$'000
2005			
Repayable			
- within 1 year	782	118	664
- after 1 year but within 5 years	638	68	570
	1,420	186	1,234
2004			
Repayable			
- within 1 year	973	142	831
- after 1 year but within 5 years	1,434	175	1,259
	2,407	317	2,090

Information on interest rates of the finance lease liabilities are set out in note 28

Notes to the Financial Statements

year ended 31 December 2005

18 Trade and Other Payables

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade payables and accruals	95,372	104,446	31,000	40,120
Dividends payable	8,986	8,092	8,986	8,092
Other payables	5,393	6,959	998	828
Amounts due to				
- subsidiaries (note 13)	-	-	21,931	18,094
- related companies (trade)	1	521	1	47
- jointly controlled entity (non-trade)	446	338	446	338
	<u>110,198</u>	<u>120,356</u>	<u>63,362</u>	<u>67,519</u>

The EVA Staff Incentive Plan was introduced by the Company in 1996. In 2000, an EVA Trust Fund was set up with a trustee company of a bank to act as trustees of the Fund, being the aggregate amount due to executives of the Company pursuant to the Plan. The financial statements do not include such trust fund which amounted to \$5,916,000 (2004: \$5,162,000) as at 31 December 2005.

The amount due to the jointly controlled entity is unsecured, non trade in nature and priced on an arm's length basis.

19 Revenue

Revenue of the Group and of the Company represents the sales value of goods supplied to customers (net of allowance for goods returned and trade discounts) and provision of services after eliminating intra-group transactions.

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Sale of food products	481,417	467,753	136,595	136,541
Provision of services	115,666	122,365	82,391	91,169
	<u>597,083</u>	<u>590,118</u>	<u>218,986</u>	<u>227,710</u>

Notes to the Financial Statements

year ended 31 December 2005

20 Profit from Operations

The following items have been included in arriving at profit from operations:-

	Note	Group		Company	
		2005 \$'000	2004 \$'000 (restated)	2005 \$'000	2004 \$'000 (restated)
(a) Other income, net					
Exchange gains, net		404	458	11	518
Gain on disposal of property, plant and equipment		65	1,872	13	18
Grants received		1,039	705	-	-
Bad debts recovered (trade)		104	164	34	180
Investment income		(19)	470	13,452	6,601
Miscellaneous income		1,479	1,718	1,247	1,312
		3,072	5,387	14,757	8,629
(b) Staff costs					
Wages and salaries		92,476	93,379	20,154	27,676
Central provident fund contributions		2,257	3,353	1,961	3,078
Performance share expense	15	316	143	316	143
Employee share option expense	15	370	226	370	226
Other staff related costs		12,310	11,975	592	718
		107,729	109,076	23,393	31,841
Number of employees at 31 December		2,496	2,432	985	994
(c) Expenses					
Allowances for					
- doubtful receivables	11	275	(407)	156	(253)
- inventory obsolescence	9	461	672	-	-
Amortisation of intangible assets	4	-	2,479	-	-
Auditors' remuneration					
- auditors of the Company		138	132	113	107
- other auditors		353	313	30	33
Non-audit fees					
- other auditors		77	113	-	1
Bad debts written off (trade)		1	92	9	11
Depreciation of property, plant and equipment	3	19,895	18,173	1,580	2,484
Operating lease expenses		4,875	3,876	313	298
Provision for diminution in value of other financial assets		60	-	60	-

Notes to the Financial Statements

year ended 31 December 2005

	Group		Company	
	2005 \$'000	2004 \$'000 (restated)	2005 \$'000	2004 \$'000 (restated)
(d) Key management personnel compensation				
Wages and salaries	2,130	2,096	1,583	1,534
Bonuses and variable compensation	1,217	897	1,057	858
Equity compensation	456	237	426	227
Other compensation costs	54	55	–	–
Directors' fee				
- directors of the Company	418	416	416	414
- other directors	50	46	–	–
	4,325	3,747	3,482	3,033

21 Finance Costs

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Interest expense				
- bank loans and overdrafts	3,205	2,141	550	499
- finance leases	145	249	–	–
	3,350	2,390	550	499

22 Taxation

	Group		Company	
	2005 \$'000	2004 \$'000 (restated)	2005 \$'000	2004 \$'000 (restated)
Current tax expense –				
Current year	13,875	10,650	5,111	4,802
Under/(over) provided in prior years	(779)	(874)	(396)	–
	13,096	9,776	4,715	4,802
Deferred tax expense -				
Movements in temporary differences	382	1,211	243	15
Under/(over) provided in prior years	(93)	353	–	–
	289	1,564	243	15
	13,385	11,340	4,958	4,817

Notes to the Financial Statements

year ended 31 December 2005

	Group		Company	
	2005 \$'000	2004 \$'000 (restated)	2005 \$'000	2004 \$'000 (restated)
Reconciliation of Effective Tax Rate				
Profit before tax	50,444	47,757	38,747	28,396
Income tax at 20%	10,089	9,551	7,750	5,679
Effect of different tax rates in foreign jurisdictions	2,323	1,999	-	-
Non-deductible expenses	669	2,543	100	130
Non-taxable income	(84)	(1,741)	(2,694)	(1,226)
Tax rebate/exemption	(56)	(50)	(10)	(10)
Utilisation of unabsorbed capital allowances	-	(1,070)	-	-
Deferred tax assets not recognised	1,112	326	-	-
Under/(over) provided in prior years				
- current tax	(779)	(874)	(396)	-
- deferred tax	(93)	353	-	-
Others	204	303	208	244
	13,385	11,340	4,958	4,817

23 Earnings Per Share

	Group	
	2005	2004 (restated)
Basic earnings per share		
The basic earnings per share is based on:-		
Net profit for the year (\$'000)	36,078	35,615
Weighted average number of shares during the year ('000)	501,638	500,095
Weighted average number of treasury shares ('000)	762	(445)
Weighted average number of shares issued under share option plan during the year ('000)	4,574	1,988
Weighted average number of shares issued during the year ('000)	506,974	501,638

Notes to the Financial Statements

year ended 31 December 2005

	Group	
	2005	2004 (restated)
Fully diluted earnings per share		
The fully diluted earnings per share is based on:-		
Net profit for the year (\$'000)	36,078	35,615
Weighted average number of shares in issue used in the calculation of basic earnings per share ('000)	506,974	501,638
Potential dilutive ordinary shares under share options ('000)	5,436	2,139
Weighted average number of shares in issue during the year ('000)	512,410	503,777

24 Dividends

During the financial year, the following dividends were paid/payable:-

	Company	
	2005 \$'000	2004 \$'000
Final dividend paid of 4.0 cents per share less tax of 20% (2004: 3.0 cents per share less tax of 20%)	16,258	12,089
Special dividend paid (2004: 2.0 cents per share less tax of 20%)	-	8,059
	<u>16,258</u>	<u>20,148</u>
Interim dividend payable of 2.2 cents per share less tax of 20% (2004: 2.0 cents per share less tax of 20%)	8,986	8,092

After the balance sheet date, the Directors proposed the following dividends. These dividends have not been provided for:

	Company	
	2005 \$'000	2004 \$'000
Final dividend of 4.0 cents per share less tax of 20% (2004: 4.0 cents per share less tax of 20%)	16,338	16,184

Notes to the Financial Statements

year ended 31 December 2005

25 Changes in Accounting Policies

The accounting policies set out in note 2 have been applied in preparing the financials statements for the year ended 31 December 2005. With the exception of the following effects summarised below, the adoption of the new/revised FRS in 2005 have not resulted in any adjustment to comparatives or the opening balances of accumulated profits for the Group or the Company nor have significant impact on results for the year.

FRS 16 (revised) Property, Plant and Equipment

With the adoption of FRS 16 (revised), the residual value and useful lives of property, plant and equipment of the Group are reassessed on an annual basis. This change has resulted in a reduction of depreciation charge for the year by \$2,234,000 for the Group and \$328,000 for the Company. Comparatives have not been restated.

FRS 102 Share-based Payment

In accordance with the transitional provisions, FRS 102 has been applied to all grants after 22 November 2002 that were not yet vested as at 1 January 2005. The adoption of FRS 102 has resulted in a change in the Group's accounting policy for share-based payments, whereby the Group charges the cost of such share-based payments to the profit and loss account.

FRS 103 Business Combinations

The adoption of FRS 103 has resulted in a change in the accounting policy for goodwill.

Goodwill is stated at cost less accumulated impairment losses and is no longer amortised. Instead, goodwill impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired. Negative goodwill is recognised immediately in the profit and loss account, instead of being systematically amortised over its useful life. This has resulted in the derecognition of negative goodwill and an increase of accumulated profits for the Group as at 1 January 2005 by \$330,000. Goodwill and negative goodwill prior to 1 January 2001 that had been taken to reserves will no longer be taken to the profit and loss account when the related business are disposed of or discontinued.

Had there not been a change in accounting policy, the net profit attributable to shareholders for the financial year ended 31 December 2005 would decrease by \$2,319,000 as follows:

	Group 2005 \$'000
Goodwill amortisation which would be charged to the profit and loss account	(2,362)
Negative goodwill amortisation which would be credited to the profit and loss account	43
	<u>(2,319)</u>

All changes in the above accounting policies have been made in accordance with the transitional provisions in the respective standards. The changes in accounting policies have the following impact on net profit for the year:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Net profit before changes in accounting policies	32,211	35,088	34,147	23,052
Effect of adopting FRS 16 (revised)	2,234	–	328	–
Effect of adopting FRS 102	(686)	527	(686)	527
Effect of adopting FRS 103	2,319	–	–	–
Net profit for the year	<u>36,078</u>	<u>35,615</u>	<u>33,789</u>	<u>23,579</u>

Notes to the Financial Statements

year ended 31 December 2005

26 Commitments

At the balance sheet date, outstanding commitments of the Group and the Company, which were not provided for in the financial statements, were as follows:-

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Capital expenditure				
- approved and contracted for	425	4,131	-	-
- approved but not contracted for	273	2,552	-	-
	<u>698</u>	<u>6,683</u>	<u>-</u>	<u>-</u>
Foreign exchange contracts	-	1,633	-	1,633
Lease commitments				
- within 1 year	971	1,733	302	299
- after 1 year but within 5 years	4,491	3,840	1,102	1,196
- after 5 years	10,924	10,677	468	850
	<u>16,386</u>	<u>16,250</u>	<u>1,872</u>	<u>2,345</u>
Total commitments	<u>17,084</u>	<u>24,566</u>	<u>1,872</u>	<u>3,978</u>

The Group leases several plots of land, buildings, motor vehicles and plant and machinery under operating leases. Certain land leases give the Group the option for renewal after the expiry dates at rates to be agreed upon renewal.

27 Significant Related Party Transactions

Identity of Related Parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making the financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Transactions with Directors

Total directors' remuneration is disclosed in note 20(d). The directors participate in the Company's equity compensation plans, the terms and conditions of which are stated in note 15. Details of options/conditional awards granted, exercised and outstanding are set out below:-

	Outstanding 1/1/2005	Granted	Exercised/ Awarded	Cancelled/ Lapsed	Outstanding 31/12/2005
Share Options:					
- George Huang Chang Yi	340,000	120,000	(35,000)	-	425,000
- Peter Tay Buan Huat	3,550,000	750,000	(200,000)	-	4,100,000
- Philip Tan Yuen Fah	380,000	70,000	(100,000)	-	350,000
- Patrick Yeoh Khwai Hoh	75,000	30,000	-	-	105,000
- Roger Yeo Kok Tong	120,000	30,000	(45,000)	-	105,000
- Chow Kok Kee	200,000	60,000	-	-	260,000
- John Lim Kok Min	60,000	30,000	-	-	90,000
	<u>4,725,000</u>	<u>1,090,000</u>	<u>(380,000)</u>	<u>-</u>	<u>5,435,000</u>
Performance Shares:					
- Peter Tay Buan Huat	Up to 2,440,000	Up to 840,000	(380,000)	(380,000)	Up to 2,520,000

Notes to the Financial Statements

year ended 31 December 2005

28 Financial Risk Management

28.1 Financial Risk Management Objectives and Policies

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. The Group has written risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy and has established processes to monitor and control hedging transactions in a timely and accurate manner.

28.2 Credit Risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Management has established credit policies in place and the exposure to credit risks is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

Investments and transactions involving derivative financial instruments are allowed only with counterparties that are of high credit quality. As such, management does not expect any counterparty to fail to meet their obligations.

At the balance sheet date, there were no significant concentrations of credit risks. The maximum exposure to credit risks is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheets.

28.3 Interest Rate Risk

The Group's exposure to changes in interest rates relates primarily to the Group's debt obligations. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent which net interest expense could be affected by an adverse movement in interest rates.

28.4 Foreign Currency Risk

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Singapore Dollar. The currencies giving rise to this risk are primarily US Dollar, Australian Dollar and British Pound.

The Group hedges approximately 75 percent of all trade payables denominated in foreign currency. At any point in time, the Group also hedges approximately 75 percent of its estimated foreign currency exposure in respect of forecast purchases over the following three months. The Group uses forward exchange contracts to hedge its other foreign currency risk. Where necessary, the forward exchange contracts are rolled over at maturity at market rates.

In respect of other monetary assets and liabilities held in currencies other than the Singapore Dollar, the Group reviews periodically that the net exposure is kept at an acceptable level.

28.5 Sensitivity Analysis

In managing its interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, any prolonged adverse changes in foreign exchange and interest rates would have an impact on Group earnings.

At 31 December 2005, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before tax by approximately \$613,000 (2004: \$557,000).

It is estimated that a general increase of one percentage point in value of the Singapore dollar against other foreign currencies would increase the Group's profit before tax by approximately \$813,000 (2004: \$693,000). The forward exchange contracts have not been included in this calculation.

Notes to the Financial Statements

year ended 31 December 2005

28.6 Effective Interest Rates and Repricing Analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at balance sheet date and the periods in which they mature.

	Effective interest rate %	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000
Group					
2005					
Financial assets					
Cash and bank balances	0.72-5.45	18,810	18,810	-	-
Financial liabilities					
Secured bank loans					
- GBP floating rate	3.61 – 6.25	(17,864)	(6,997)	(10,457)	(410)
- GBP fixed rate	6.00	(3,315)	(573)	(2,742)	-
- Euro floating rate	3.61 – 6.00	(5,688)	(3,763)	(1,710)	(215)
- A\$ floating rate	6.85 – 10.85	(4,859)	(4,859)	-	-
		(31,726)	(16,192)	(14,909)	(625)
Unsecured bank loans					
- US\$ floating rate	3.27 – 5.50	(3,000)	(3,000)	-	-
- RMB floating rate	5.58 – 5.612	(2,127)	(2,127)	-	-
- S\$ floating rate	2.21 – 3.95	(9,000)	(9,000)	-	-
- S\$ fixed rate	3.34	(7,000)	(7,000)	-	-
		(21,127)	(21,127)	-	-
Financial lease liabilities					
Bank overdrafts	5.41 – 14.69	(1,234)	(664)	(570)	-
	5.50 – 9.85	(1,447)	(1,447)	-	-
		(55,534)	(39,430)	(15,479)	(625)
Net financial liabilities					
		(36,724)	(20,620)	(15,479)	(625)

Notes to the Financial Statements

year ended 31 December 2005

	Effective interest rate %	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000
Group					
2004					
Financial assets					
Cash and bank balances	0.2 – 5.24	15,665	15,665	–	–
Financial liabilities					
Secured bank loans					
- GBP floating rate	5.50 – 6.25	(17,988)	(9,624)	(6,858)	(1,506)
- Euro floating rate	3.61 – 3.62	(3,049)	(468)	(1,877)	(704)
- A\$ floating rate	5.7	(4,584)	(4,584)	–	–
		(25,621)	(14,676)	(8,735)	(2,210)
Unsecured bank loans					
- US\$ floating rate	2.13 – 3.27	(2,138)	(2,138)	–	–
- RMB floating rate	5.31 – 5.612	(2,245)	(2,245)	–	–
- S\$ floating rate	1.57 – 2.21	(9,000)	–	(9,000)	–
- S\$ fixed rate	3.34	(8,875)	(1,875)	(7,000)	–
		(22,258)	(6,258)	(16,000)	–
Financial lease liabilities	5.41 – 13.08	(2,090)	(831)	(1,259)	–
Bank overdrafts	5.0 - 6.0	(17,116)	(17,116)	–	–
		(67,085)	(38,881)	(25,994)	(2,210)
Net financial liabilities		(51,420)	(23,216)	(25,994)	(2,210)
Company					
2005					
Financial assets					
Cash and bank balances	11.05 – 5.45	10,139	10,139	–	–
Financial liabilities					
Unsecured bank loans					
- S\$ floating rate	2.21 – 3.95	(9,000)	(9,000)	–	–
- S\$ fixed rate	3.34	(7,000)	(7,000)	–	–
		(16,000)	(16,000)	–	–
Net financial liabilities		(5,861)	(5,861)	–	–

Notes to the Financial Statements

year ended 31 December 2005

	Effective interest rate %	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000
Company					
2004					
Financial assets					
Cash and bank balances	0.2 – 5.24	9,331	9,331	–	–
Financial liabilities					
Unsecured bank loans					
- S\$ floating rate	1.57 – 2.21	(9,000)	–	(9,000)	–
- S\$ fixed rate	3.34	(8,875)	(1,875)	(7,000)	–
		(17,875)	(1,875)	(16,000)	–
Net financial assets/(liabilities)		(8,544)	7,456	(16,000)	–

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values. All other financial assets and liabilities are discounted to determine their fair values.

29 Contingent Liabilities

At 31 December 2005, there were the following outstanding contingent liabilities:

- Guarantees amounting to \$5.152 million (2004: \$5.099 million) given by the Company to banks for banking facilities extended to a subsidiary.
- Insurance excess guarantee to a maximum amount of \$878,000 (equivalent of GBP 300,000) given by a subsidiary as part of its ongoing insurance arrangements. This contingent liability will expire at the end of 2006.
- A subsidiary of the Company has entered into an agreement with the Industrial Development Authority under which capital and revenue grants of \$7.622 million (equivalent of EUR 3.811 million) have been received. A liability would arise to repay \$2.954 million (equivalent of EUR 1.477 million) if certain circumstances set out in the agreement occur.
- Additional purchase consideration of approximately \$2.394 million (equivalent of EUR 1.2 million) for the acquisition of subsidiary, Cresset Limited, payable in 2008 if the profits of the subsidiary in the year ended 31 December 2007 exceed EUR 3.19 million.

30 Segment Reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, by business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Other segment assets and liabilities comprise mainly income-earning assets, income streams, interest-bearing loans, borrowings and expenses not directly attributable to a particular business segment. Unallocated assets and liabilities comprise of current and deferred taxes.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Notes to the Financial Statements

year ended 31 December 2005

30.1 Business Segments

The Group comprises the following main business segments:

Food distribution – The distribution and trading of food products.

Food preparation, manufacturing and processing – The management of cookhouses, preparation of cooked meals and manufacturing of food products.

Abattoir and hog auction – The provision of abattoir and related services and auctioning of pigs.

Business Segments

	Food Distribution \$'000	Food Preparation, Manufacturing and Processing \$'000	Abattoir and Hog Auction \$'000	Others \$'000	Elimination \$'000	Total \$'000
2005						
Revenue and expenses						
Revenue						
- External customers	136,524	439,557	21,002	–	–	597,083
- Inter-segment	19,041	15,322	1,560	–	(35,923)	–
Total revenue	<u>155,565</u>	<u>454,879</u>	<u>22,562</u>	<u>–</u>	<u>(35,923)</u>	<u>597,083</u>
Segment results	12,262	34,289	6,756	13,471	(13,471)	53,307
Interest income	–	430	–	–	–	430
Interest expense	–	(3,350)	–	–	–	(3,350)
	<u>12,262</u>	<u>31,369</u>	<u>6,756</u>	<u>13,471</u>	<u>(13,471)</u>	<u>50,387</u>
Share of results of jointly controlled entity						57
Profit from ordinary activities before taxation						50,444
Taxation						(13,385)
Profit from ordinary activities after taxation						<u>37,059</u>
Assets and liabilities						
Segment assets	44,826	205,622	29,380	50,207	–	330,035
Unallocated assets	–	782	–	359	–	1,141
Total assets	<u>44,826</u>	<u>206,404</u>	<u>29,380</u>	<u>50,566</u>	<u>–</u>	<u>331,176</u>
Segment liabilities	12,883	119,845	3,436	29,568	–	165,732
Unallocated liabilities	3,340	12,431	2,387	–	–	18,158
Total liabilities	<u>16,223</u>	<u>132,276</u>	<u>5,823</u>	<u>29,568</u>	<u>–</u>	<u>183,890</u>
Capital expenditure	<u>66</u>	<u>13,994</u>	<u>51</u>	<u>8</u>	<u>–</u>	<u>14,119</u>

Notes to the Financial Statements

year ended 31 December 2005

	Food Distribution \$'000	Food Preparation, Manufacturing and Processing \$'000	Abattoir and Hog Auction \$'000	Others \$'000	Elimination \$'000	Total \$'000
2004						
Revenue and expenses						
Revenue						
- External customers	136,541	433,495	20,082	-	-	590,118
- Inter-segment	19,690	14,901	2,147	-	(36,738)	-
Total revenue	156,231	448,396	22,229	-	(36,738)	590,118
Segment results	10,252	33,378	6,215	6,131	(6,131)	49,845
Interest income	-	252	-	-	-	252
Interest expense	-	(2,390)	-	-	-	(2,390)
	10,252	31,240	6,215	6,131	(6,131)	47,707
Share of results of jointly controlled entity						50
Profit from ordinary activities before taxation						47,757
Taxation						(11,340)
Profit from ordinary activities after taxation						36,417
Assets and liabilities						
Segment assets	37,576	222,814	31,700	47,013	-	339,103
Unallocated assets	-	661	-	602	-	1,263
Total assets	37,576	223,475	31,700	47,615	-	340,366
Segment liabilities	13,379	137,850	3,660	32,552	-	187,441
Unallocated liabilities	3,162	10,051	2,291	-	-	15,504
Total liabilities	16,541	147,901	5,951	32,552	-	202,945
Capital expenditure	153	48,803	191	84	-	49,231

Notes to the Financial Statements

year ended 31 December 2005

30.2 Geographical Segments

The Group operates in four principal geographical areas, namely Singapore, Europe (United Kingdom and the Republic of Ireland), Australia and the People's Republic of China ("PRC"). The food distribution business segment is principally conducted in Singapore, with food distribution in the PRC at a nascent stage. The abattoir and hog auction business segment is conducted only in Singapore. The food preparation, manufacturing and processing business segment is conducted in Singapore, United Kingdom, the Republic of Ireland, Australia and the PRC.

In presenting information on the basis of geographical segments, segment revenue is based on the country of operation, not the country to which sales is made to. Segment assets are based on the geographical location of the assets and operations.

	Singapore \$'000	Europe / United Kingdom \$'000	Australia \$'000	China and Others \$'000	Total \$'000
2005					
Total revenue from external customers	238,713	314,641	36,315	7,414	597,083
Segment assets	146,214	155,407	15,842	12,572	330,035
Segment liabilities	61,132	85,228	9,061	10,311	165,732
Capital expenditure	415	12,773	839	92	14,119
Significant non-cash items - depreciation of property, plant and equipment	4,074	14,646	635	540	19,895
2004					
Total revenue from external customers	246,880	307,209	31,535	4,494	590,118
Segment assets	139,611	175,498	15,528	8,466	339,103
Segment liabilities	72,121	101,544	8,378	5,398	187,441
Capital expenditure	615	48,205	339	72	49,231
Significant non-cash items - amortisation of intangible assets	-	2,226	253	-	2,479
- depreciation of property, plant and equipment	5,000	11,683	937	553	18,173
	5,000	13,909	1,190	553	20,652

31

Comparative Information

Comparatives in the financial statements have been changed from the previous year due to the changes in accounting policies as described in note 25 and to be consistent with current year presentation.

Value Added Statement

year ended 31 December 2005

	2005 \$'000	2004 \$'000 (restated)
VALUE ADDED :		
Turnover	597,083	590,118
Less: Bought-in materials and services	(417,588)	(415,268)
	<hr/> 179,495	<hr/> 174,850
Investment, interest & other income	430	252
Share of Joint Venture Profit	57	50
Other non-operating income	2,970	5,222
	<hr/> 182,952	<hr/> 180,374
DISTRIBUTION		
To employees in salaries, wages & benefits	107,144	108,170
To government in income & other taxes	14,373	12,342
To providers of capital on: -		
Interest paid on borrowings	3,350	2,390
Dividend to shareholders	25,244	28,238
RETAINED IN BUSINESS		
Depreciation and Amortisation	19,895	20,652
Retained Profits	10,834	7,377
Minority Interests	981	802
OTHER NON-OPERATING EXPENSES		
	1,131	403
	<hr/> 182,952	<hr/> 180,374
TOTAL DISTRIBUTION		
Average Number Of Employees	2,464	2,324
PRODUCTIVITY ANALYSIS		
Value added per Employee (\$'000)	72.9	75.2
Value Added Per Dollar of Employment Costs	1.7	1.6
Value Added Per Dollar Sales	0.3	0.3
Value Added Per Dollar Investment in Net Fixed Assets	1.4	1.2

Statistics of Shareholders

as at 6 March 2006

Issued and fully paid-up capital	:	S\$32,487,021.00
Class of share	:	Ordinary shares
Voting rights	:	One vote per share

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	Percentage %	No. of Shares	Percentage %
1 - 999	321	3.36	145,155	0.03
1,000 - 10,000	8,569	89.82	20,422,603	3.99
10,001 - 1,000,000	635	6.66	29,105,220	5.69
1,000,001 and above	15	0.16	461,686,322	90.29
	9,540	100.00	511,359,300	100.00

Based on information available to the Company as at 6 March 2006, approximately 29.21% of the total number of ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Direct Interest	Number of Shares	
		Percentage %	Deemed Interest Percentage %
Ambrosia Investment Pte. Ltd.	359,731,154	70.35	-
Temasek Holdings (Private) Limited ⁽¹⁾	-	-	359,811,154

Note:

⁽¹⁾ Temasek Holdings (Private) Limited is deemed to be interested in the 359,731,154 shares held by Ambrosia Investment Pte. Ltd. and 80,000 shares held by its other subsidiaries.

Statistics of Shareholders

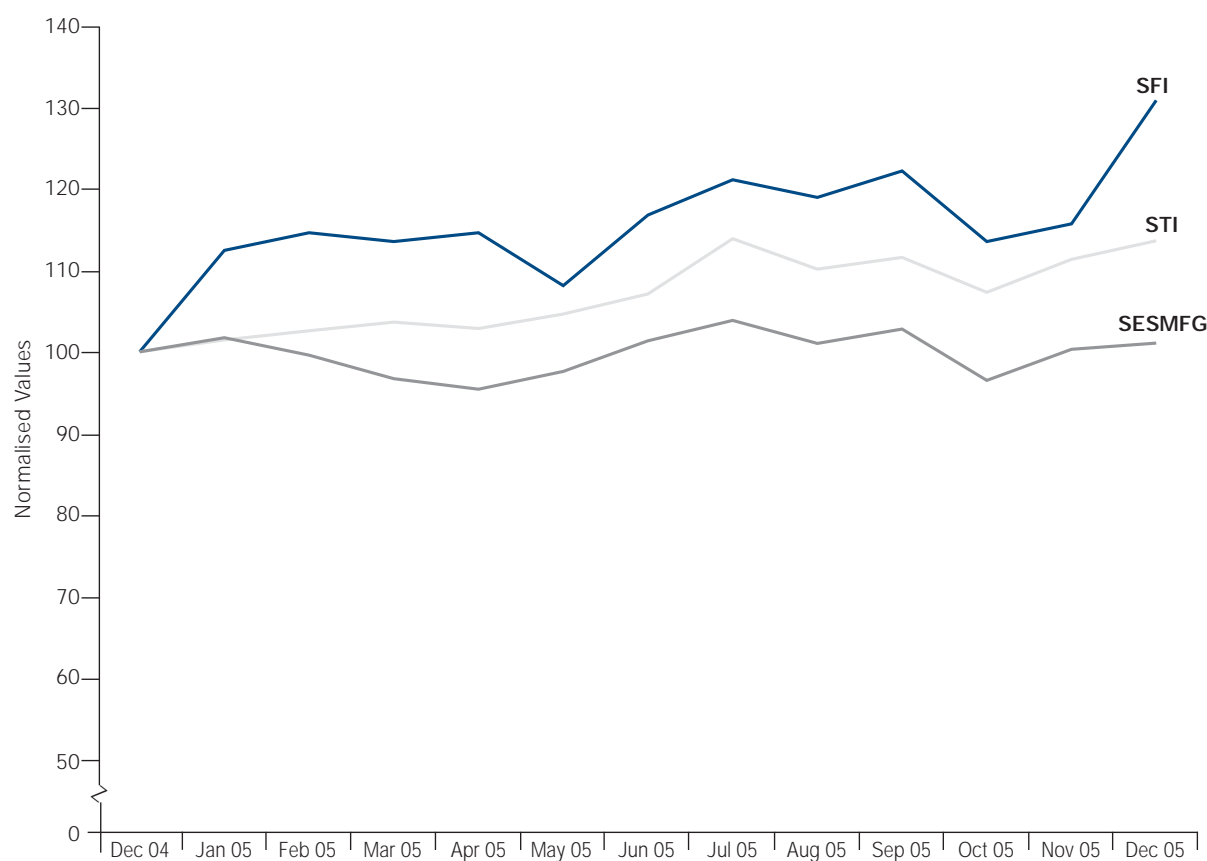
as at 6 March 2006

TOP TWENTY SHAREHOLDERS

		No. of Shares Held	Percentage %
1	Ambrosia Investment Pte Ltd	359,731,154	70.35
2	HSBC (Singapore) Nominees Pte Ltd	37,161,677	7.27
3	DBS Nominees Pte Ltd	21,990,314	4.30
4	NTUC Fairprice Co-Operative Ltd	15,000,000	2.93
5	Citibank Nominees Singapore Pte Ltd	6,243,915	1.22
6	United Overseas Bank Nominees Pte Ltd	5,584,874	1.09
7	The Asia Life Assurance Society Ltd - PAR Fund	3,045,000	0.60
8	DBSN Services Pte Ltd	2,966,143	0.58
9	Raffles Nominees Pte Ltd	2,084,000	0.41
10	Peter Tay Buan Huat	2,049,600	0.40
11	Tan Yong Chiang or Tan Hui Liang	1,566,000	0.31
12	HL Bank Nominees (S) Pte Ltd	1,131,000	0.22
13	Lee Hee Seng	1,083,000	0.21
14	OCBC Nominees Singapore Pte Ltd	1,039,645	0.20
15	Lee Wee Heng Richard	1,010,000	0.20
16	The Asia Life Assurance Society Ltd - Non-PAR Fund	961,000	0.19
17	Tan Lee Yong	863,000	0.17
18	UOB Kay Hian Pte Ltd	830,000	0.16
19	Ng Hian Chow	600,000	0.12
20	Long Wind Coldstorage Pte Ltd	544,000	0.10
		465,484,322	91.03

Share Price Performance

Comparative Price Trends



Month-End	SFI		Straits Times Index (STI)		Singapore All Equities (Manufacturing) Index	
	Closing Prices (\$)	Normalised Values	Closing Index	Normalised Values	Closing Index	Normalised Values
December 04	0.925	100.00	2,066.14	100.00	1,027.73	100.00
January 05	1.040	112.43	2,096.32	101.46	1,045.47	101.73
February 05	1.060	114.59	2,119.40	102.58	1,023.55	99.59
March 05	1.050	113.51	2,141.43	103.64	993.89	96.71
April 05	1.060	114.59	2,125.25	102.86	980.69	95.42
May 05	1.000	108.11	2,161.77	104.63	1,003.08	97.60
June 05	1.080	116.76	2,212.66	107.09	1,041.58	101.35
July 05	1.120	121.08	2,352.56	113.86	1,067.33	103.85
August 05	1.100	118.92	2,275.43	110.13	1,038.36	101.03
September 05	1.130	122.16	2,305.14	111.57	1,056.42	102.79
October 05	1.050	113.51	2,216.77	107.29	991.72	96.50
November 05	1.070	115.68	2,300.25	111.33	1,030.88	100.31
December 05	1.210	130.81	2,347.34	113.61	1,038.75	101.07

SFI Share Price (\$)	2005	2004
Highest	1.210	0.945
Lowest	0.900	0.710
Average	1.063	0.816
31 December Closing Price	1.210	0.925