

HAPPY WORLD FOODS LIMITED - GROUP RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005 (UNAUDITED)

ABRIDGED INCOME STATEMENT

| | GROUP 6 months to 31 Dec 05 Unaudited Rs'000 | GROUP 6 months to 31 Dec 04 Unaudited Rs'000 | COMPANY 6 months to 31 Dec 05 Unaudited Rs'000 | COMPANY 6 months to 31 Dec 04 Unaudited Rs'000 |
|---|--|--|--|--|
| Turnover | 997,418 | 843,490 | 827,203 | 730,498 |
| Cost of sales | (839,406) | (690,209) | (684,151) | (590,614) |
| Gross profit | 158,012 | 153,281 | 143,052 | 139,884 |
| Other income | 18,072 | 4,019 | 9,300 | 4,508 |
| Operating expenses | (176,084) | (157,300) | (152,352) | (144,392) |
| Operating profit | 31,187 | 26,047 | 20,390 | 26,059 |
| Finance costs | (23,777) | (27,810) | (17,757) | (23,147) |
| Share of profits before tax of associates | 4,754 | 5,791 | - | - |
| Profit on ordinary activities before taxation | 12,164 | 4,028 | 2,633 | 2,912 |
| Taxation | - | - | - | - |
| Group | - | - | - | - |
| Associates | - | (818) | - | - |
| Profit after tax | 12,164 | 3,210 | 2,633 | 2,912 |
| Minority interest | 881 | 1,636 | - | - |
| Net profit | 13,045 | 4,846 | 2,633 | 2,912 |
| Number of shares | 36,730,266 | 36,730,266 | | |
| Earnings per share (Rs) | 0.36 | 0.13 | | |
| Dividend per share (Rs) | - | 0.60 | | |
| Net asset value per share (Rs) | 24.43 | 24.58 | | |

ABRIDGED CASH FLOW STATEMENT

| | GROUP 6 months to 31 Dec 05 Unaudited Rs'000 | GROUP 6 months to 31 Dec 04 Unaudited Rs'000 | COMPANY 6 months to 31 Dec 05 Unaudited Rs'000 | COMPANY 6 months to 31 Dec 04 Unaudited Rs'000 |
|---|--|--|--|--|
| Cash flow from operating activities | | | | |
| Profit on ordinary activities before taxation | 12,164 | 4,028 | 2,633 | 2,912 |
| Adjustments for non cash items | 50,039 | 56,681 | 56,048 | 54,042 |
| Operating profit before working capital changes | 62,203 | 60,709 | 58,681 | 56,954 |
| Net increase in working capital | (4,712) | (153,948) | (40,835) | (154,898) |
| Cash generated from/(used in) operations | 57,491 | (93,239) | 17,846 | (97,944) |
| Interest paid | (28,859) | (28,865) | (22,404) | (23,974) |
| Income tax paid | - | (1,794) | - | (1,794) |
| Net cash from/(used in) operating activities | 28,632 | (123,898) | (4,558) | (123,712) |
| Net cash from/(used in) investing activities | 27,628 | (45,163) | 15,335 | (68,057) |
| Net cash from financing activities | 31,460 | 108,515 | 50,673 | 117,132 |
| Net increase/(decrease) in cash and cash equivalents | 87,720 | (60,546) | 61,450 | (74,637) |
| Cash and cash equivalents at beginning of period | (208,359) | (97,039) | (223,447) | (99,495) |
| Cash and cash equivalents at end of period | (120,639) | (157,585) | (161,997) | (174,132) |

ABRIDGED BALANCE SHEET

| | GROUP 31 Dec 05 Unaudited Rs'000 | GROUP 30 Jun 04 Audited Rs'000 | COMPANY 31 Dec 05 Unaudited Rs'000 | COMPANY 30 Jun 04 Audited Rs'000 |
|--------------------------------------|---|---|---|---|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 1,213,708 | 1,264,324 | 805,347 | 825,907 |
| Intangible assets | 51,400 | 54,095 | 48,183 | 50,778 |
| Investments | 56,390 | 51,793 | 180,720 | 180,719 |
| Receivables | 45,249 | 24,295 | 64,203 | 67,170 |
| Deferred taxation | 14,257 | 14,257 | - | - |
| | 1,381,004 | 1,408,764 | 1,098,453 | 1,124,574 |
| Current assets | | | | |
| Inventories | 328,919 | 349,520 | 270,465 | 293,573 |
| Receivables and prepayments | 240,291 | 193,418 | 421,082 | 362,126 |
| Cash and cash equivalents | 64,365 | 24,406 | 16,710 | 6,188 |
| | 633,575 | 567,344 | 708,257 | 661,887 |
| Total assets | 2,014,579 | 1,976,108 | 1,806,710 | 1,786,461 |
| EQUITY AND LIABILITIES | | | | |
| Shareholders' equity | | | | |
| Share capital | 367,303 | 367,303 | 367,303 | 367,303 |
| Share premium | 5,308 | 5,308 | 5,308 | 5,308 |
| Revaluation reserve | 232,054 | 242,960 | 239,449 | 241,165 |
| Foreign exchange translation reserve | (443) | (443) | - | - |
| Retained earnings | 293,076 | 269,125 | 289,266 | 284,917 |
| | 897,298 | 884,253 | 901,326 | 898,693 |
| Minority interest | 112,770 | 94,689 | - | - |
| Non-current liabilities | | | | |
| Retirement benefit obligations | 35,010 | 35,222 | 35,010 | 35,222 |
| Deferred taxation | 32,857 | 32,857 | 32,857 | 32,857 |
| Borrowings | 228,530 | 299,531 | 210,574 | 251,574 |
| | 296,397 | 367,610 | 278,441 | 319,653 |
| Current liabilities | | | | |
| Trade and other payables | 244,877 | 202,056 | 204,493 | 186,411 |
| Borrowings | 463,237 | 427,500 | 422,450 | 381,704 |
| | 708,114 | 629,556 | 626,943 | 568,115 |
| Total liabilities | 1,004,511 | 997,166 | 905,384 | 887,768 |
| Total equity and liabilities | 2,014,579 | 1,976,108 | 1,806,710 | 1,786,461 |

Note

The financial statements for the six months ended 31 December 2005 are unaudited and have been prepared in compliance with International Accounting Standards 34 - "Interim Financial Reporting" and using the same accounting policies as those used in the financial statements for the year ended 30 June 2005. Copies of the financial statements are available to the public, free of charge, at the branch office of the Company, Caudan, Port Louis.

COMMENTS

Group turnover for the first semester of this financial year was higher by 18% compared with the prior year while gross profit increased marginally to Rs 158M.

Despite the competitive trading environment and the slow recovery of our economy, our business segments performed satisfactorily. Overall the Group made a profit of Rs 13M for the first semester.

Looking ahead, we will continue to implement our strategy to improve operational processes and to create value to our stakeholders.

By order of the Board

Anex Corporate Services Ltd
Corporate secretary

This communiqué is issued pursuant to Listing Rule 12.21. The Board of Directors of Happy World Foods Ltd accepts full responsibility for the accuracy of the information contained in this communiqué.

ABRIDGED STATEMENT OF CHANGES IN EQUITY

| GROUP | Share capital | Share premium | Revaluation reserve | Foreign exchange translation reserve | Retained earnings | Total |
|---|---------------|---------------|---------------------|--------------------------------------|-------------------|----------|
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| At 01 July 2004 | 367,303 | 5,308 | 246,393 | 125 | 299,987 | 919,116 |
| Net loss | - | - | - | - | (12,257) | (12,257) |
| Dividends | - | - | - | - | (22,038) | (22,038) |
| Foreign exchange translation difference | - | - | - | (568) | - | (568) |
| Transfers | - | - | (3,433) | - | 3,433 | - |
| At 30 June 2005 | 367,303 | 5,308 | 242,960 | (443) | 269,125 | 884,253 |
| Net profit | - | - | - | - | 13,045 | 13,045 |
| Revaluation reserve realised | - | - | (9,190) | - | 9,190 | - |
| Transfers | - | - | (1,716) | - | 1,716 | - |
| At 31 December 2005 | 367,303 | 5,308 | 232,054 | (443) | 293,076 | 897,298 |
| COMPANY | | | | | | |
| At 01 July 2004 | 367,303 | 5,308 | 244,598 | - | 321,020 | 938,229 |
| Net loss | - | - | - | - | (17,498) | (17,498) |
| Dividends | - | - | - | - | (22,038) | (22,038) |
| Transfers | - | - | (3,433) | - | 3,433 | - |
| At 30 June 2005 | 367,303 | 5,308 | 241,165 | - | 284,917 | 898,693 |
| Net profit | - | - | - | - | 2,633 | 2,633 |
| Transfers | - | - | (1,716) | - | 1,716 | - |
| At 31 December 2005 | 367,303 | 5,308 | 239,449 | - | 289,266 | 901,326 |

SEGMENT INFORMATION

| GROUP | Revenues | | Results | |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
| | 31 Dec 05 Rs'000 | 31 Dec 04 Rs'000 | 31 Dec 05 Rs'000 | 31 Dec 04 Rs'000 |
| Poultry and Frozen Foods | 530,826 | 470,372 | 14,172 | 20,489 |
| Consumer Goods | 400,735 | 307,275 | 21,266 | 5,896 |
| Others | 65,857 | 65,843 | (1,396) | 2,517 |
| Total | 997,418 | 843,490 | 34,042 | 28,902 |