



BERNAS
PADIBERAS NASIONAL BERHAD
(295514-U)

ANNUAL REPORT 2005



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History

Padiberas Nasional Berhad (BERNAS) came into being with the taking over of Lembaga Padi dan Beras Negara's (LPN) role as the custodian of Malaysian paddy and rice industry when the latter was privatised in January 1996. BERNAS continued to perform an important role in the national paddy and rice industry and also assumed all social and commercial obligations previously undertaken by LPN. These include conserving, maintaining and managing the National Paddy/Rice Stockpile, representing the government on the management and disbursement of subsidies to paddy farmers, managing the Bumiputera Rice Miller scheme, purchasing paddy from farmers at guaranteed minimum price and acting as the buyer of last resort. In return, BERNAS was given the responsibility to be the sole importer of rice into Malaysia until 2010, with the option for renewal for another five years, subject to approval. On 25 August 1997, BERNAS was listed on the Kuala Lumpur Stock Exchange's main board, marking a historical significance.

BERNAS has continued to evolve through the integration of its supply chain with existing players at the international level of wholesaling, farming, processing and supplying. With this solid foundation, BERNAS has managed to overcome challenges including the 97/98 regional financial crisis.

As a corporate citizen, BERNAS is dedicated towards ensuring continuous rice supply at affordable prices to feed the nation, by optimising its supply network, infrastructure and distribution network. It also places particular concern on improving its environmental management, emphasising on effective rice husk disposal as well as diversification into other product lines utilising the potential of its by-products.

Today, BERNAS is just as committed to remain as a responsible organisation in meeting and possibly exceeding the needs of consumers, providing optimum return to its shareholders and a stimulating and satisfying working environment for its employees. Achievement of our objectives remains as the driving force in herding the organisation to greater heights of success and acknowledgement.

Diversification into other related business activities has led to greater market penetration and a more established ground. The group is currently working to emerge as a world-class competitor following the Asean Free Trade Area.

Looking ahead, in facing the challenges of globalisation, BERNAS will continue its endeavour into new and profitable frontiers - synergising with other food producers, enhancing its diversification of resources into related and other business, deepening linkages with related sectors to increase its product range and services; to provide the very best of variety and excellence in its mission to attain a competitive edge in the era of globalisation.

Our Vision, Mission & Corporate Values

VISION

Our food products are consumed in every household in Malaysia. We are a Company deeply committed to nourish the nation better. We do this by providing quality food products that create value for our company, our partners and our customers.

MISSION

Value creation by increasing market share, introducing new products and acquiring complementary products. It is our goal to be a market leader in Malaysia. We will be market driven focusing on the following areas:-

- Brand Building
- Product Performance
- Customer Service

We will gain competitive advantage by leveraging existing strength, resources and developing new competencies. We will be the best-cost producer and distributor.

CORPORATE VALUES

CHALLENGES

- Improving performances
- Renewing our understanding of our changing business

CONDUCT

- Integrity
- Ethics
- Probity
- Corporate governance / transparency

COMMITMENT

- Value for customers
- Leadership for community & environment
- Teamwork
- Shared purpose with regulators
- Value for shareholders

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 12th Annual General Meeting of Padiberas Nasional Berhad (“the Company”) will be held at Dewan Bunga Tanjung, Kelab Shah Alam Selangor, Persiaran Istana Kayangan, Section 13, 40740 Shah Alam, Selangor Darul Ehsan on 27 June 2006 at 10.00 am, for the following purposes:

1. To receive and adopt the Audited Accounts for the financial year ended 31 December 2005 together with the Report of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of a final dividend of 4% tax exempt for the financial year ended 31 December 2005. **Resolution 2**
3. To approve the payment of Directors’ fees of RM381,250.00 for the financial year ended 31 December 2005. **Resolution 3**
4. To re-elect the following Directors who retire in accordance with the Articles of Association of the Company:

Article 110(2)

Bakry Bin Hamzah
Syed Abu Bakar Bin S Mohsin Almohdzar

Resolution 4
Resolution 5

Article 115

Datuk Azizan Bin Ayob
Datuk Mohd Hashim Bin Hassan

Resolution 6
Resolution 7

5. To re-appoint Messrs Hanafiah Raslan & Mohamad as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**
6. As special business, to consider and if thought fit, to pass the following Ordinary Resolution:-

Authority to Directors to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

“That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares of the Company at any time until the conclusion of the next Annual General Meeting of the Company upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors are also empowered to obtain the approval for the listing and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad”. **Resolution 9**

To transact any other business of which due notice shall have been given.

Notice of Entitlement And Payment of Final Dividend

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the 12th Annual General Meeting, a final dividend of 4% tax exempt will be payable on 31 July 2006 to Depositors whose names appear in the Records of Depositors on 3 July 2006.

A depositor shall qualify for entitlement to the dividend only in respect of:

- Shares transferred into the Depositors' Securities Account before 4.00 pm on 3 July 2006 in respect of ordinary transfers.
- Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

AZLINA BINTI HASAN BASHRI (LS008142)
Company Secretary

Petaling Jaya
1 June 2006

NOTES:

- A member of the Company is entitled to appoint a proxy to attend and vote in his stead and a proxy may but need not be a member of the Company. Where a member appoints one or more proxies (subject to a maximum of two (2) proxies), the member must specify in each proxy form the proportion of the member's shareholdings to be presented by each proxy.
- Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to credit of the said securities account.
- The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, either under its common seal or under the hand of its attorney.
- The instrument appointing a proxy must be deposited at the registered office of the Company of Level 19, CP Tower, No 11, Section 16/11, Jalan Damansara, 46350 Petaling Jaya, Selangor not less than forty eight (48) hours before the time for holding the meeting or any adjournment thereof.

Explanatory Notes On Special Business

Ordinary Resolution 9 - This authorisation will empower Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Statement Accompanying Notice of Annual General Meeting

Pursuant to paragraph 8.28(2) of the Listing Requirement of Bursa Malaysia Securities Berhad

1. Directors standing for re-election at the 12th Annual General Meeting of the Company

Directors retiring pursuant to the Articles of Association:-

Article 110(2)

Bakry Bin Hamzah
Syed Abu Bakar Bin S Mohsin Almohdzar

Article 115
(Retirement by Rotation)

Datuk Azizan Bin Ayob
Datuk Mohd Hashim Bin Hassan

The details of the Directors seeking re-election are set out on page 8 to 11 of this Annual Report.

2. Details of Board of Directors Meeting

A total of nine (9) Board meetings were held in the financial year ended 31 December 2005 as follows:-

Date	Time	Venue
4 January 2005	9.30am	Petaling Jaya
28 February 2005	9.30am	Petaling Jaya
19 April 2005	10.00am	Petaling Jaya
30 May 2005	9.30am	Petaling Jaya
14 June 2005	9.30am	Petaling Jaya
25 August 2005	9.30am	Petaling Jaya
12 September 2005	10.15am	Petaling Jaya
28 November 2005	9.30am	Petaling Jaya
21 December 2005	9.30am	Petaling Jaya

Details of the attendance of the Directors are set out on page 16 of this Annual Report.

Corporate Information

REGISTERED OFFICE/

CORPORATE HEADQUARTERS

Level 19, CP Tower

No 11, Section 16/11

Jalan Damansara

46350 Petaling Jaya

Selangor Darul Ehsan

Tel : 03 – 7660 4545

Fax : 03 – 7660 4646

Toll Free Line : 1-800-18-1128

Website: www.bernas.com.my

PRINCIPAL BANKERS

Affin Bank Berhad

Alliance Bank Malaysia Berhad

Bank Islam (M) Berhad

Bank Muamalat (M) Berhad

Bumiputra Commerce Bank Berhad

Malayan Banking Berhad

RHB Bank Berhad

Standard Chartered Bank Malaysia Berhad

COMPANY SECRETARY

Azlina Binti Hasan Bashri (LS008142)

AUDITORS

Messrs Hanafiah Raslan & Mohamad

Chartered Accountants

Level 23A, Menara Milenium

Jalan Damanlela, Pusat Bandar Damansara

Bukit Damansara, 50490 Kuala Lumpur

SHARE REGISTRAR

Shareworks Sdn Bhd (229948-U)

No 23, Jalan Sri Hartamas 7

Sri Hartamas

50480 Kuala Lumpur

Tel : 03 – 6201 1120

Fax : 03 – 6201 3121

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (Main Board)

Stock Name : BERNAS

Stock Code : 6866

Board of Directors

Datuk Mohd Hashim Bin Hassan

Chairman
Independent Non-Executive Director
Chairman of Audit Committee
Member of Finance Committee
Member of Tender Committee
Member of Nomination Committee

Age	61
Nationality	Malaysian
Qualification	<ul style="list-style-type: none"> ■ B.Agr Sc (Hons), University Malaya ■ M.Sc (Food Science), Michigan State University, USA ■ MBA, Ohio University, USA
Experience	<ul style="list-style-type: none"> ■ Food Technologist, Ministry of Agriculture (1970-1975) ■ Senior Food Technologist, MARDI (1975-1979) ■ Group Manager Research & Development, FIMA (1979-1980) ■ Director & Senior Research Officer, Project Development Division, MARDI (1980-1981) ■ Director & Senior Research Officer, Food Technology Division, MARDI (1981-1985) ■ Manager, Harrison Malaysia Plantation Berhad (1985) ■ General Manager, Kumpulan FIMA Berhad (1985-1990) ■ Group Technical Director, Executive Director, Fima Metal Box Bhd (1990-1992) ■ Executive Director, Gula Padang Terap Berhad (1992-1993) ■ CEO, Kedah State Development Corporation (1993-1996) ■ Managing Director, Kulim Technology Park Corp (1994-1996) ■ Executive Chairman, Bina Darulaman Berhad (1994-1997) ■ Putrajaya Holdings Sdn Bhd: Director/CEO (1996-2002) Deputy Chairman (2002-2003) Chairman (2003-July 2004)
Other Directorships Of Public Companies	<ul style="list-style-type: none"> ■ Lebar Daun Berhad ■ Bank Kerjasama Rakyat Malaysia Berhad ■ Amanah Raya Berhad
Appointed to the Board	13 October 2003
Attendance for Board meetings	9/9

Dato' Abdul Rahim Bin Mokti

Non-Independent Non-Executive Director
Member of Audit Committee
Appointed by Special Shareholder

Age	56
Nationality	Malaysian
Qualification	Bachelor of Economics (Hons), University Malaya
Profession	Deputy Secretary General (System & Control), Ministry of Finance
Experience	<ul style="list-style-type: none"> ■ Malaysian Trade Commissioner in Paris (1978), followed by Milan and Saudi Arabia ■ Served in Federal Treasury
Other Directorships of Public Companies	<ul style="list-style-type: none"> ■ Penerbangan Malaysia Berhad ■ Penang Port Holdings Berhad ■ Tenaga Nasional Berhad
Appointed to the Board	29 February 2001
Attendance for Board meetings	3/9

Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor

Non-Independent Non-Executive Director
Appointed by Special Shareholder

Age	57
Nationality	Malaysian
Qualification	<ul style="list-style-type: none"> ■ Bachelor of Economics (Hons), University Malaya ■ MBA, University of Birmingham, UK
Profession	Secretary General, Ministry of Agriculture and Agro-Based Industry
Experience	<ul style="list-style-type: none"> ■ Deputy Director, Administration & Finance, National Bureau of Investigation (1977-1979) ■ Programme Coordinator, Public Industry, INTAN (1980-1985) ■ Deputy Director, Petroleum Development Division, Prime Minister's Department (1988-1991) ■ Deputy Director, Establishment, Public Service Department (1991-1995) ■ Deputy Director, Budget Division, Treasury of Malaysia (1995-1998) ■ Director General of FAMA (1998-2000)
Other Directorships of Public Companies	None
Appointed to the Board	10 April 2001
Attendance for Board meetings	3/9

Abdul Rahman Bin Datuk Haji Dahlan

Independent Non-Executive Director

Age	41
Nationality	Malaysian
Qualification	Bachelor in Economics and Management, Sonoma State University (SSU), California State University System, Rohnert Park, California, USA
Profession	<ul style="list-style-type: none"> ■ Secretary to UMNO Youth Malaysia ■ Managing Director of H.R.P.M Consulting (M) Sdn Bhd
Experience	<ul style="list-style-type: none"> ■ Business Development Officer, Ace Averberg Sdn Bhd ■ General Manager, Ace Commercial Enterprise Sdn Bhd
Other Directorships of Public Companies	None
Appointed to the Board	15 October 2002
Attendance for Board meetings	5/9

Datuk Azizan Bin Ayob

Non-Independent Non-Executive Director
Chairman of Nomination Committee
Chairman of Remuneration Committee
Chairman of Tender Committee
Member of Finance Committee

Age	60
Nationality	Malaysian
Qualification	<ul style="list-style-type: none"> ■ Bachelor of Arts (Hons) in Economy, University Malaya ■ Master in Public Administration, University of Southern California, USA
Profession	<ul style="list-style-type: none"> ■ Managing Director, Puncak Semangat Technology Sdn Bhd and Executive Director/CEO, Commerce Dot Com Sdn Bhd
Experience	<ul style="list-style-type: none"> ■ Administrative & Diplomatic Officer, National Unity Dept (1971) ■ Administrative Officer, Veterinary Department, Ministry of Land and Agriculture (1971) ■ Principal Assistant Director, Administrative & Finance (1974); Service Division (1977), Public Services Dept ■ Deputy Director, Service Division, Public Services Dept (1982) ■ Deputy Director, Training & Career Development Division, Public Services Dept (1985) ■ Deputy Director General, Local Government Dept, Ministry of Housing and Local Government (1991) ■ Director General, National Registration Dept of Malaysia (1997-2003)
Other Directorships of Public Companies	None
Appointed to the Board	30 September 2003
Attendance for Board meetings	9/9

Dato' Bukhari Bin Mohd Sawi

Non-Independent Non-Executive Director
Member of Remuneration Committee

Age	55
Nationality	Malaysian
Qualification	<ul style="list-style-type: none"> ■ Bachelor of Arts in History, University Malaya ■ MBA, Universiti Kebangsaan Malaysia
Profession	<ul style="list-style-type: none"> ■ General Manager, Pertubuhan Peladang Kebangsaan (NAFAS)
Experience	<ul style="list-style-type: none"> ■ Assessment Officer, Inland Revenue Department ■ Senior Manager, NAFAS ■ State Director, Lembaga Pertubuhan Peladang Pahang (1987)
Other Directorships of Public Companies	None
Appointed to the Board	26 April 1996
Attendance for Board meetings	9/9

Bakry Bin Hamzah

Non-Independent Non-Executive Director
Member of Audit Committee

Age	49
Nationality	Malaysian
Qualification	B.A (Hons), University Malaya
Profession	<ul style="list-style-type: none"> ■ Chief Executive Officer, Tradewinds (M) Berhad ■ Managing Director, Central Sugars Refinery Sdn Bhd
Experience	<ul style="list-style-type: none"> ■ Assistant Director of Marketing, Lembaga Padi dan Beras Negara (1981-1984) ■ Operation Manager, Bukhary Holdings Sdn Bhd (1984-1987) ■ General Manager, Juara Niaga Sdn Bhd (1987-1989) ■ General Manager, KYD Brake Centre Sdn Bhd (1989-1993) ■ Head, Business Development, Aero Mutiara Sdn Bhd (1995-2003) ■ Executive Director, Latitude Tree Holding Berhad (1997-2001) ■ Director, Oriental Food Industries Berhad (2002-2003) ■ Director, MARDEC Berhad (2003-2004)

Other Directorships of Public Companies	None
Appointed to the Board	14 September 2005
Attendance for Board Meetings	2/2

Dohat Bin Shafiee

Independent Non-Executive Director
Member of Tender Committee
Member of Audit Committee

Age	62
Nationality	Malaysian
Profession	<ul style="list-style-type: none"> ■ Director of Yayasan Basmi Kemiskinan Negeri Perlis
Experience	<ul style="list-style-type: none"> ■ Supervisor of the Primary School Unit, Perlis Education Department ■ Malaysian Students Officer, Brighton, UK
Other Directorships of Public Companies	None
Appointed to the Board	29 February 1996
Attendance for Board meetings	9/9

Syed Abu Bakar Bin S Mohsin Almohdzar

Independent Non-Executive Director
Chairman Of Finance Committee
Member of Audit Committee

Age	55
Nationality	Malaysian
Qualification	<ul style="list-style-type: none"> ■ Member of Malaysian Institute of Accountants (Malaysia) ■ Chartered Certified Accountant (FCCA, UK)
Experience	<ul style="list-style-type: none"> ■ Accountant, PERNAS (1974-1975) ■ Audit Manager, Khoo Junus & Co (1976-1978) ■ Executive Director, Pernas Securities Sdn Bhd (1979-1995) ■ Managing Director/CEO, Tradewinds (M) Berhad (1996-2004)
Other Directorships of Public Companies	Johor Port Berhad
Appointed to the Board	22 November 2005
Attendance for Board Meetings	2/2

Osman Bin Makmor

Alternate Director to Dato' Abdul Rahim Bin Mokti

Age	53
Nationality	Malaysian
Qualification	Bachelor of Economics (Analysis), University Malaya
Profession	Principal Assistant Secretary Investment, MKD and Privatisation Division, Ministry of Finance
Experience	<ul style="list-style-type: none"> ■ Assistant District Officer, Ulu Selangor, Kuala Kubu Bharu, Selangor (1978 – 1983) ■ Assistant District Officer, Gombak, Selangor (1984 – 1986) ■ Confidential Secretary to YAB Menteri Besar Selangor (1986 – 1988) ■ Assistant Secretary, Housing Loan Division, Federal Treasury (1988 – 1990) ■ Assistant Secretary, Administration Division, Federal Treasury (1990 – 2000)
Other Directorships of Public Companies	None
Appointed to the Board	23 February 2006
Attendance for Board Meetings	-

Sukandar Bin Abdul Latif

Alternate Director to Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor

Age	56
Nationality	Malaysian
Qualification	B.A (Hons) Economics, University Malaya
Profession	Deputy Secretary General (Development), Ministry of Agriculture and Agro-Based Industry
Experience	<ul style="list-style-type: none"> ■ Assistant Director, International Trade Department, Ministry of Trade and Industry Malaysia (1973-1974) ■ Malaysian Trade Commissioner in Milan, Italy (1976-1981) ■ Malaysian Trade Commissioner in Seoul, South Korea (1981-1982) ■ Assistant Director General, International Trade Department, Ministry of Trade and Industry of Malaysia (1982-1983) ■ Trade Commissioner (Commercial Counselor) Malaysia, Malaysian Embassy in Beijing, China (1981-1989) ■ Assistant Director General (Policy), International Trade Department, Ministry of Trade and Industry (1990-1991) ■ Trade Commissioner (Commercial Counselor) Malaysia, Malaysian Embassy in Jakarta, Indonesia (1991-1998) ■ Director, Bureau Service Advisor, Malaysian External Trade Development Corporation (MATRADE) (1998-2000) ■ Director, Asia/Africa, MATRADE (2000-2003) ■ Secretary of Strategic Planning Development And International, Ministry of Agriculture and Agro-Based Industry (2003–2005)
Other Directorships of Public Companies	None
Appointed to the Board	28 November 2005
Attendance for Board Meetings	1/2

Save as disclosed, none of the Directors has:-

- 1 Any family relationship with any other Directors and/or major shareholders;
- 2 Any conflict of interest with the Company; and
- 3 Any conviction of offences within the past 10 (ten) years other than traffic offences.

RESIGNATION:**Saiful Adnan Bin Abdul Majid**

resigned on 25 May 2005

Dato' Syed Fahkri Barakbah Bin Tun Syed Sheh Barakbah

resigned on 22 November 2005

Dato' Siti Balkish Binti Shariff (Alternate Director to Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor) resigned on 28 November 2005

Normi Binti Nordin (Alternate Director to Dato' Abdul Rahim Bin Mokti)

resigned on 13 February 2006

YB Haji Mohd Naroden Bin Haji Majais

resigned on 27 April 2006

Board Committee

Audit Committee

Datuk Mohd Hashim Bin Hassan
Dato' Abdul Rahim Bin Mokti
Syed Abu Bakar Bin S Mohsin Almohdzar
Bakry Bin Hamzah
Dohat Bin Shafiee

Nomination Committee

Datuk Azizan Bin Ayob
Datuk Mohd Hashim Bin Hassan

Remuneration Committee

Datuk Azizan Bin Ayob
Dato' Bukhari Bin Mohd Sawi

Finance Committee

Syed Abu Bakar Bin S Mohsin Almohdzar
Datuk Mohd Hashim Bin Hassan
Datuk Azizan Bin Ayob

Tender Committee

Datuk Azizan Bin Ayob
Datuk Mohd Hashim Bin Hassan
Dohat Bin Shafiee

Management Committee

Ahmad Fuad Bin Abdul Wahab
Chief Executive Officer

Mohd Nazri Bin Md Shariff
Chief Financial Officer

Haji Zainuri Bin Kurmain
Senior General Manager, Domestic Rice Operation Division

Jenny Yow Ngan Chee
Senior General Manager, Corporate Management Office

Abd Rahim Bin Ahmad
Senior General Manager, Human Capital Division

Wan Razif Bin Wan Musa
General Manager, Marketing & Distribution Division

Mohd Khusaini Bin Haji Harumaini
Assistant General Manager, Risk Management Department

Mohd Roslan Bin Bani Amin
Assistant General Manager, Facilities Administration Department

Asiah Binti Alimuda
Executive Director, Era Bayam Kota Sdn Bhd

Azhar Bin Abdullah
Chief Operating Officer, Beras Corporation Sdn Bhd

Azlina Binti Hasan Bashri
Company Secretary

Audit Committee Report

MEMBERSHIP

The present members of the Audit Committee (the "Committee") comprise:

Datuk Mohd Hashim Bin Hassan
(Chairman, Independent Non-Executive Director)

Dato' Abdul Rahim Bin Mokti
(Non-Independent Non-Executive Director)

Syed Abu Bakar Bin S Mohsin Almohdzar
(Independent Non-Executive Director)

Bakry Bin Hamzah
(Non Independent Non-Executive Director)

Dohat Bin Shafiee
(Independent Non-Executive Director - appointed on 27 April 2006)

YB Haji Mohd Naroden Bin Haji Majais
(Independent Non-Executive Director - resigned on 27 April 2006)

TERMS OF REFERENCE

Objective of the Audit Committee

The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities:

- Oversee the financial reporting and associated announcements
- Evaluate the internal and external audit processes
- Assess the adequacy and effectiveness of the Group's control environment, corporate governance and risk management processes in compliance with The Combined Code of Principles of Good Governance and Code of Best Practice.

Composition

The Committee and the Chairman shall be appointed by the Board of Directors and shall consist of not less than three (3) members, 2/3 or majority of whom must be Independent Directors.

Quorum and Committee's Procedures

Meetings shall be conducted at least four (4) times annually, each meeting planned to coincide with key dates in the Company's financial reporting cycle, or more frequently as circumstances dictate.

The Company Secretary shall be appointed as Secretary of the Committee. The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee.

The Chief Executive Officer, Chief Financial Officer, Senior Manager of Internal Audit and a representative of the external auditors shall normally attend meetings. The Committee may, as and when deemed necessary, invite other senior management members to attend the meetings.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

Authority

The Committee is authorised to seek any information it requires from any employee of the Group and all employees are directed to cooperate with any request made by the Committee.

The Committee shall have full and unlimited access to any information pertaining to the Group.

The Committee shall have direct communication channels with the internal and external auditors, and with the management of the Group, and shall be able to convene meetings with the external auditors whenever deemed necessary.

The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, external legal or other independent professional advice it considers necessary.

Responsibilities and Duties

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

Risk management and internal control

- Review the adequacy and effectiveness of risk management, internal control and governance system of the Group.
- Review and recommend to the Board of Directors the Corporate Governance Statement and Statement on Internal Control in relation to internal control and the management of the risk included in the Annual Report.

Financial Reporting

- Review and discuss with management and the independent auditors the quarterly results and the year end financial statements of the Company and consolidated financial statements of the Group including disclosure made in the accounts and the auditors' review of the statement prior to the approval by the Board, focusing particularly on:
 - Change in or implementation of major accounting policies and practices
 - Significant adjustments or unusual events
 - Compliance with accounting standards and other legal requirements
- Review the financial reporting procedures in place to ensure that the Group is in compliance with the Companies Act 1965, Bursa Malaysia Listing Requirements and other legislative and reporting requirements.

Audit Process

- Review the adequacy of the functions and resources of the Internal Audit Department; and approve on the internal audit scope and plan of work with the necessary authority to carry out its duties.
- Review on annual basis the performance of the internal audit function.
- Oversee all matters relating to external audit including the appointment, performance, audit fee and dismissals before making recommendation to the Board.
- Review the internal and external audit reports to evaluate the findings of their work and to ensure that the appropriate and prompt remedial action is taken by the management on major deficiencies in controls or procedures that are identified.
- Review the assistance and cooperation given by the Company's officers to the external and internal auditors.

Other Responsibilities and Duties

- Review any related party transaction that may arise within the Company or the Group; and
- Undertake such other responsibilities as the Committee and the Board may think appropriate.

ATTENDANCE AT MEETINGS

During the financial year ended 31 December 2005, the Committee held a total of seven (7) meetings of which were regular to deliberate the quarterly and the year-end financial statements and the internal audit report.

The details of attendance of the Committee members are as follows:-

Name Of Directors	No. Of Meetings Attended
Datuk Mohd Hashim Bin Hassan	7/7
Dato' Abdul Rahim Bin Mokti ¹	0/7
Syed Abu Bakar Bin S Mohsin Almohdzar ²	2/2
Bakry Bin Hamzah ³	1/1
Dato' Syed Fahkri Barakbah Bin Tun Syed Sheh Barakbah ⁴	5/5
YB Haji Mohd Naroden Bin Haji Majais ⁵	4/7

1 Director appointed by Special Shareholder.

2 Syed Abu Bakar Bin S Mohsin Almohdzar was appointed as a member on 22 November 2005.

3 Bakry Bin Hamzah was appointed as a member on 28 November 2005.

4 Dato' Syed Fahkri Barakbah resigned on 22 November 2005.

5 YB Haji Mohd Naroden Bin Haji Majais resigned on 27 April 2006.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The main activities undertaken by the Committee during the financial year were as follows:

1. Assisted the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practice of the Company and companies within the Group in accordance with the Generally Accepted Accounting Practice.
2. Reviewed the external audit term of engagement, the audit strategy, the proposed audit fee and the achievement of the agreed reporting time frames for the audit of the financial statements.
3. Kept under review the effectiveness of internal controls system within the Group and determine the state of Internal Controls and Corporate Governance within the Group.
4. Reviewed the management reports and external audit reports and discussed any problems and reservations arising thereon.
5. Reviewed the internal audit plan, methodology, functions and resources and advised on the appointment of internal audit services.
6. Reviewed major findings on internal audit reports and management response and promoted coordination between internal auditors and all relevant parties for effective and efficient audit.
7. Reviewed the degree of assistance and cooperation given by company officers to the external and internal auditors.
8. Reviewed any related party transactions that might arise within the Company and the Group.

INTERNAL AUDIT FUNCTION

The Board and the Committee are assisted by the Internal Audit Department in maintaining a sound system of internal controls to provide reasonable assurance against any irregularities arising from the daily operational activities.

The Internal Audit Department's responsibilities are to give an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. Internal audit reviews the internal controls within the key activities of the Group's businesses on the basis of an internal audit strategy and detailed annual internal audit plan presented to the Committee for approval.

The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the business units of the Group. It helps the Company and Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management and governance process via the following:

1. Conducts reviews and evaluations of management practices and procedures within the Group and the reviews will include but are not limited to:
 - i. Evaluations of internal control systems, corporate governance and risk assessment to determine their adequacy for the protection of Company's assets and resources, the production of accurate and reliable information, and the assurance on the compliance of statutory and regulatory requirements as well as company policies, procedures and guidelines.
 - ii. Determinations as to whether the Group's resources are being utilised in an economical and efficient manner, including the underlying causes of any inefficiencies or wasteful practices.
 - iii. Determinations as to whether desired results or benefits are being achieved from approved programmes and projects.
 - iv. Formulating recommendations to management for improvement in, or correction of, inefficient practices and procedures.
2. Conducts special studies of procedural or problem areas as requested or directed by the Committee and the Management.
3. Reviews the existing financial, operational and information systems to ensure that they are adequately defined, properly justified, and include the necessary internal controls.
4. Prepares formal reports on the results of completed reviews, discusses these reports with appropriate levels of management, as deemed appropriate.
5. Conducts follow-up audit on prior recommendations to determine any corrective or preventive actions by Management on the previously reported conditions or whether such conditions still exist.
6. Operates independently to assure complete objectivity when conducting audit reviews and evaluations.

The Internal Audit Department undertakes the internal audit function based on the approved audit plan, which is continuously reviewed and updated upon the changing nature of the Group's operations. The internal audit reports prepared by the Department are deliberated by the Committee and recommendations made are acted upon by the Management.

Statement On Corporate Governance

The Board of Directors of BERNAS (“the Board”) is committed in applying the principles and best practices recommended by the Malaysian Code on Corporate Governance. The Board continues to improve and enhance the standards of good corporate governance practiced within the Group with the aim to safeguard the interest of all stakeholders.

BOARD OF DIRECTORS

Composition and Board Responsibilities

The Board currently consists of nine (9) members; all of whom are non-executive directors with four of them (including the Chairman) being Independent Directors and five Non-Independent Directors. The composition represents a mix of knowledge, skills and expertise to effectively discharge its stewardship responsibilities to lead the Group’s growth and future direction. The profiles of each Director are presented on page 8 to 11 of this Annual Report.

The Board retains full and effective control over the affairs of the Company and Group. The Board members’ duties include determining the Group’s overall strategic plans, performing periodic reviews of business and financial performance, adopting practical risk management and internal controls.

The roles of Chairman and Chief Executive Officer are clearly defined in their individual position description. The Chairman is primarily responsible for the orderly conduct and working of the Board. The Chief Executive Officer is responsible with the overall operation of business on a day-to-day basis as well as the implementation of Company’s policies and procedures. The Management Committee Meeting, which is attended by the divisions’ heads and senior management, provides an avenue for the Chief Executive Officer to keep abreast of operational matters.

The Board is satisfied with the current Board composition, which fairly reflects the interest of minority shareholders in the Company.

Board Meetings and Supply of Information to the Board

The Board meets on scheduled basis, at least four (4) times a year. Additional meetings convened when important decisions need to be made between the scheduled meetings. During the financial year ended 31 December 2005, the Board met on nine (9) occasions, where it deliberated upon and considered variety of matters such as the Group’s financial performance, corporate restructuring exercise and review of operation of the Company.

Board meetings are structured with a set of agenda. The board papers are circulated prior to the meeting to enable the Board to understand each matter to be deliberated at the Board meeting and expedite decision-making process.

Three (3) Directors did not attend more than 50% of the total board meetings held during the financial year ended 31 December 2005, of which one (1) of these directors has resigned on 27 April 2006. The other two (2) directors (“Appointed Directors”), who are the representatives of Minister of Finance (Incorporated) (“MOF”), the Company’s Special Shareholder, shall remain as MOF representatives until the Company receive further instruction and/or confirmation from MOF. During the absence of these Appointed Directors, their alternates who have the same powers, duties and authorities as full board members attended the meetings on their behalf.

Details of each Director’s attendance during the financial year ended 31 December 2005 are as follows: -

Directors	No of Meetings Attended
Datuk Mohd Hashim Bin Hassan	9/9
Datuk Azizan Bin Ayob	9/9
Dato’ Abdul Rahim Bin Mokti*	3/9
Tan Sri Dato’ Sri Abi Musa Asa’ari Bin Mohamed Nor*	3/9
Dato’ Bukhari Bin Mohd Sawi	9/9
Abdul Rahman Bin Datuk Haji Dahlan	5/9
Dohat Bin Shafiee	9/9
Bakry Bin Hamzah (<i>appointed on 14 September 2005</i>)	2/2
Syed Abu Bakar Bin S Mohsin Almohdzar (<i>appointed on 22 November 2005</i>)	2/2
Sukandar Bin Abdul Latif (<i>appointed as alternate director to Tan Sri Dato’ Sri Abi Musa Asa’ari Bin Mohamed Nor on 28 November 2005</i>)	1/2
Osman Bin Makmor (<i>appointed as alternate director to Dato’ Abdul Rahim Bin Mokti on 23 February 2006</i>)	-
Saiful Adnan Bin Abdul Majid (<i>resigned on 25 May 2005</i>)	3/3
Dato’ Syed Fakhri Barakbah Bin Tun Syed Sheh Barakbah (<i>resigned on 22 November 2005</i>)	7/8
Dato’ Siti Balkish Binti Shariff (<i>resigned as Alternate Director to Tan Sri Dato’ Sri Abi Musa Asa’ari Bin Mohamed Nor</i>)	5/7
Normi Binti Nordin (<i>resigned as Alternate Director to Dato’ Abdul Rahim Bin Mokti</i>)	6/9
YB Haji Mohd Naroden Bin Haji Majais (<i>resigned on 27 April 2006</i>)	2/9

* Directors appointed by Special Shareholder

All Directors have unrestricted access to any information pertaining to the Company and unhindered access to the advice and services of the Company Secretary, and when necessary, independent professional advisers.

Board Committees

In discharging its fiduciary duty, the Board has delegated certain responsibilities to the Board Committees, which operate within clearly defined terms of reference. The Committees deliberate the proposals in depth before any recommendation being put up to the Board. The Board Committees are:-

- i. Audit Committee (refer to page 13-15 of this Annual Report)
- ii. Nomination Committee
- iii. Remuneration Committee
- iv. Finance Committee
- v. Tender Committee

Appointment of Board Members

The Nomination Committee had recommended on the appointment of Syed Abu Bakar Bin S Mohsin Almohdzar and Bakry Bin Hamzah to the Board, in accordance with the selection criteria denominated in the Directors Nomination Form.

Re-election

In accordance with the Company's Articles of Association, one third (1/3) of the Board or if their number is not a multiple of three (3), the number nearest to, but not exceeding one third (1/3) shall be subject to retirement by rotation at each Annual General Meeting. In any case, each Director shall retire from office at least once every three (3) years.

These retiring Directors shall be eligible for re-election. Newly appointed Directors shall hold office until the next Annual General Meeting and shall be eligible for re-election. The election of each Director is voted separately.

Directors' Training

Bakry Bin Hamzah and Syed Abu Bakar Bin S Mohsin Almohdzar, the new appointees to the Board have completed the Mandatory Accreditation Programme (MAP) conducted by Bursa Malaysia. A majority of the Directors have attended various training programmes under Continuing Education Programme (CEP) save and except for certain Directors who have yet to fulfill the CEP requirement. However, these Directors have been given an extension of time by Bursa Malaysia up to 30 June 2006 to complete their CEP points.

Dohat Shafie attended the Advance Directors' College 2005 organised by Smart Focus Business Consulting Internal Audit Solution. The rest of Directors kept themselves informed on the latest development on Financial Reporting Standards and Goods and Services Tax by attending briefings conducted by Ernst & Young as well as amendments to the Listing Requirements.

The Directors will continue to undergo other training programmes to enhance their skills and knowledge, where relevant.

DIRECTORS' REMUNERATION

The Remuneration Committee is responsible for recommending to the Board the remuneration framework for Directors as well as the remuneration packages of Directors, which include the Directors' fees and meeting attendance fees.

In addition, the Company reimburses reasonable expenses incurred by the Directors in the course of their duties as directors. Directors are paid attendance fees for each Board or Committee meetings they attended.

Details of the Directors' remuneration for the financial year ended 31 December 2005 are as follows:-

Directors	Total (RM)
Datuk Mohd Hashim Bin Hassan	120,000
Datuk Azizan Bin Ayob	30,000
Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor	30,000
Dato' Abdul Rahim Bin Mokti	30,000
Dato' Bukhari Bin Mohd Sawi	30,000
Abdul Rahman Bin Datuk Haji Dahlan	30,000
Dohat Bin Shafiee	30,000
Bakry Bin Hamzah	
<i>(Appointed on 14 September 2005)</i>	8,750
Syed Abu Bakar Bin S Mohsin Almohdzar	
<i>(Appointed on 22 November 2005)</i>	2,500
Saiful Adnan Bin Abdul Majid	
<i>(Resigned on 25 May 2005)</i>	12,500
Dato' Syed Fakhri Barakbah Bin Tun Syed Sheh Barakbah	
<i>(Resigned on 22 November 2005)</i>	27,500
YB Haji Mohd Naroden Bin Haji Majais	30,000
<i>(Resigned on 27 April 2006)</i>	
	381,250

SHAREHOLDERS

The Company acknowledges the importance of communication channel between the Board, shareholders and other stakeholders. The annual reports, quarterly financial results, press releases and corporate announcements are the primary modes of disseminating information on the Group's performance and operation.

It has been the Company's practice to send the Notice of Annual General Meeting ("AGM") and related papers to shareholders at least twenty-one (21) days before the meeting. At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Company's operations in general. A press conference is normally held immediately after the AGM.

ACCOUNTABILITY & AUDIT

Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Company's and Group's financial performance and prospects, primarily through the annual financial statements, quarterly announcement of results to shareholders as well as the Chairman's statement and review of operations in the Annual Report. The Board is assisted by the Audit Committee and Finance Committee to oversee the Group's financial reporting processes and the quality of its financial reporting to ensure accuracy, adequacy and completeness.

Directors' Responsibility Statement in Respect of the Preparation of the Audited Financial Statements

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Company and the Group and as at the end of the accounting period and their profit or loss and cash flow for the period then ended. In preparing the financial statements, the Board has ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

The Board also has a general responsibility for taking such steps as is reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Statement on Internal Control

The Statement on Internal Control is enclosed in page 19-20 of this Annual Report.

Relationship with the External Auditors

The Board through the establishment of Audit Committee maintains a formal and transparent arrangement with the Company's Auditors. The external auditors independently report their conclusions and recommendation to the Audit Committee and from time to time, bring to the attention, of any significant deficiency in the Group's system of control.

This statement is made in accordance with the resolution of the Board of Directors dated 27 April 2006.

Statement on Internal Control

Introduction

The Bursa Malaysia Securities Berhad requires the Board of Directors of public listed companies to include in its annual report a “statement about the state of internal control of the listed issuer as a group”. The Board of Directors is committed to maintain a sound system of internal control in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2005.

Responsibility of the Board

The Board is ultimately responsible for the Group’s system of internal control, which includes the establishment of an appropriate control environment and framework, as well as reviewing its adequacy and integrity.

The Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Group. Whilst the Board maintains ultimate responsibility over risk and control issues, it has delegated to the executive management the implementation of a system of risk management and internal control within an established framework. This framework currently encompasses the Company and its subsidiary companies but will be extended to include material joint ventures and associates in the future.

In view of inherent limitations in any system of internal control, the Group’s internal control system is designed to manage, rather than eliminate, the risk of failure in achieving corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management Framework

The Management has been entrusted by the Board to manage risks and also, to develop, operate and monitor a system of internal control and to provide assurance to the Board that it has done so in accordance with policies adopted by the Board.

The following key elements of risk management framework have been put in place as part and parcel of embedding a sound internal control system within the Group:

- Establishment and yearly review of a formalised policy on risks;
- Establishment of a risk management structure, which outlines the reporting framework and responsibility of the Board, Finance Committee, Risk Management Department, management and risk representatives;
- Formation of a Risk Management Department to establish direction and coordination of a group-wide application of risk management process;
- Appointment of Risk Representatives within each division of the Group;
- Reviewing and, where appropriate, revising the risk appetite and parameters (qualitative and quantitative) for the Group and at the individual business unit level to strengthen effectiveness of the risk management process;
- Ongoing formal and informal risk management education and training at management and staff levels;
- Continuous review and refinement of existing risk management framework model to enhance risk awareness within the Group and facilitate re-affirmation of risk prioritisation and aggregation exercises with various subsidiaries, divisions, and departments;
- Implementation by Management of a group-wide risk assessment process, which includes the identification of key risks facing each business unit, the potential impact and likelihood of those risks occurring, the control effectiveness and the action plans to manage those risks to the desired level; and
- Development of a Group Risk Profile.

Internal Audit Function

The Internal Audit Department provides the Board with much of the assurance it requires regarding the adequacy and integrity of internal controls. Internal audit independently reviews the internal control processes in the key activities of the Group’s businesses by adopting a risk based approach and reports directly to the Audit Committee on a quarterly basis or as appropriate. Internal audit also test the effectiveness of the internal control on the basis of an internal audit strategy and detailed annual internal audit plan presented to the Audit Committee for approval. Reports on internal audit findings, together with recommendations for Management actions, are reviewed by the Audit Committee and reported to the Board on a quarterly basis or as appropriate.

Other Risk and Control Processes

Apart from risk management and internal audit, other key elements of the Group's internal control system are as described below:

- Clearly defined delegation of responsibilities by the Board to Management of the Group, including authority limits for all aspects of the business;
- Key business processes of the major business units are governed by formalised and documented policies and procedures; the process of which is reviewed by Internal Audit, which provides assurance on the operations and validity of the system of internal control;
- Management and the Board are provided with regular and comprehensive financial information, which includes a review of the Group's financial performance and position. This is done through the use of key performance and risk indicators;
- Detailed and systematic budgetary process in which the respective heads of department and division prepare budgets for the forthcoming financial year and subsequent financial quarters; continuous monitoring of results against planned activities and variances are followed up and actions taken, where necessary; and
- The Chief Executive Officer reports to the Board on significant changes in the business and the external environment.

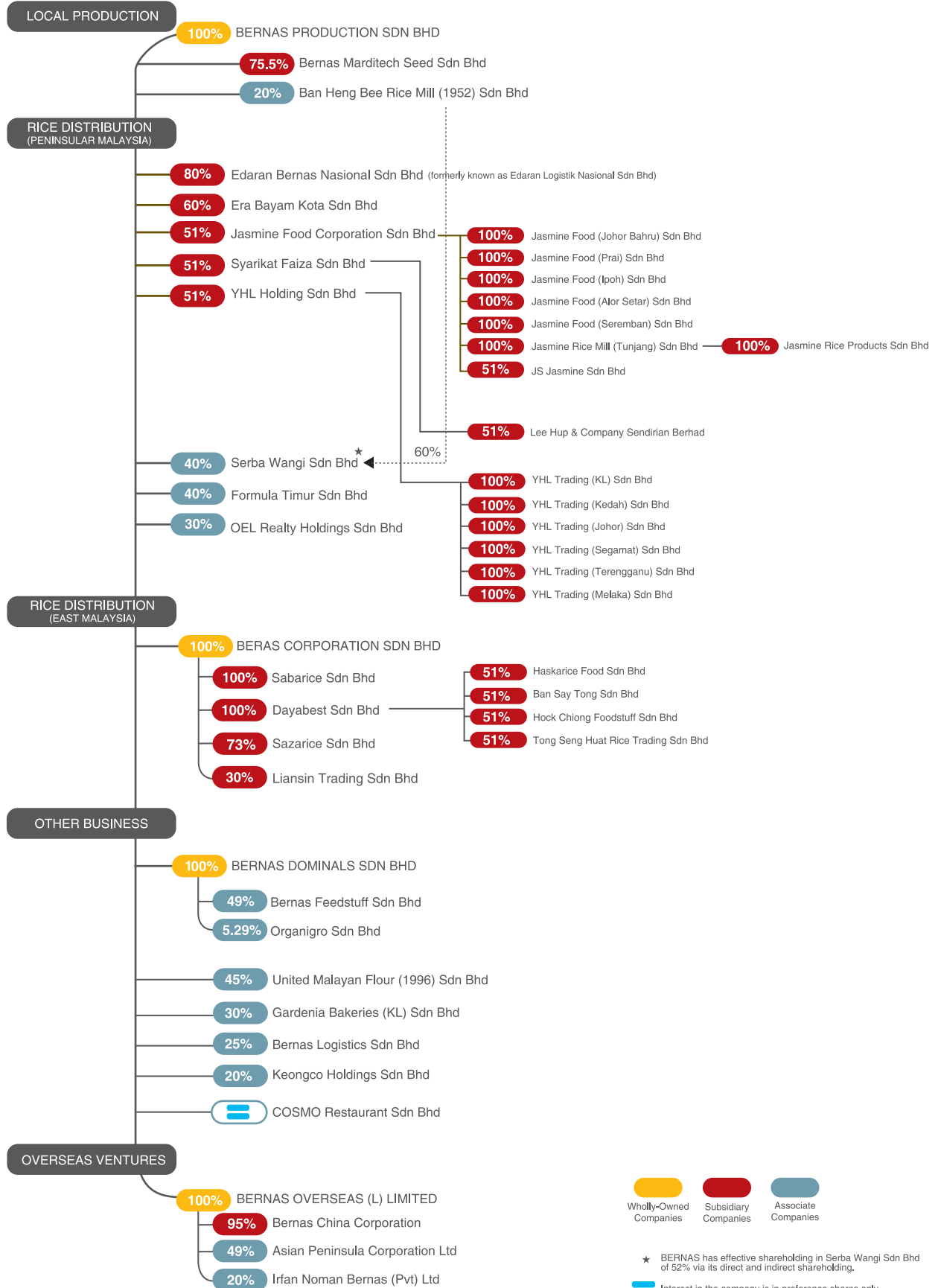
Conclusion

The Board is of the view that the existing system of the internal control is adequate. There were no material losses incurred during the current financial year as a result of weaknesses in internal control. Nevertheless, Management continues to take measure to strengthen the control environment.

This statement is made in accordance with the resolution of the Board of Directors dated 27 April 2006.



BERNAS Corporate Structure



* BERNAS has effective shareholding in Serba Wangi Sdn Bhd of 52% via its direct and indirect shareholding.

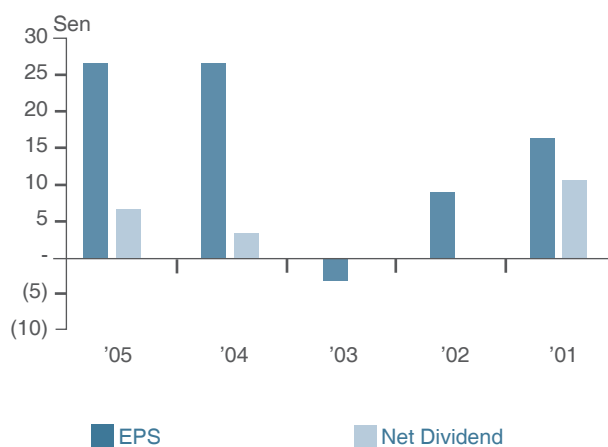
Interest in the company is in preference shares only.

Financial Highlights

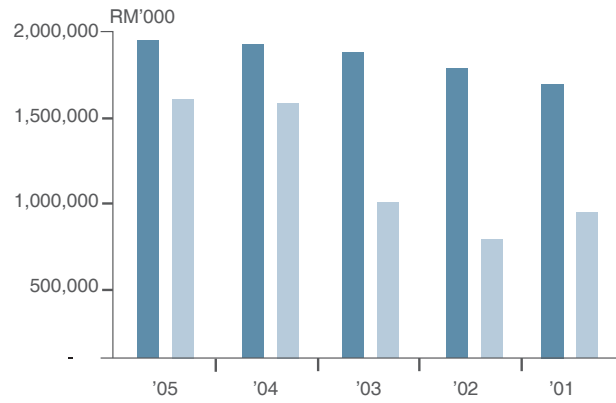
	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
TURNOVER					
Group	1,970,072	1,964,975	1,824,738	1,763,800	1,679,863
Company	1,662,589	1,644,824	935,585	697,894	881,043
PROFIT BEFORE TAXATION					
Group	169,763	159,396	(3,438)	58,989	128,245
Company	153,828	102,376	(11,782)	36,999	98,500
TOTAL TANGIBLE ASSETS					
Group	1,394,610	1,238,314	1,310,406	1,177,619	1,259,062
Company	1,357,462	1,203,323	1,100,623	958,269	1,008,226
NET TANGIBLE ASSETS					
Group	832,384	726,550	609,269	615,227	585,116
Company	757,553	653,225	576,690	584,777	535,801

	Sen	Sen	Sen	Sen	Sen
OTHERS - GROUP					
EPS (Basic)	26.88	26.11	(4.30)	8.20	16.10
Net dividend	7.50	4.50	-	-	10.00

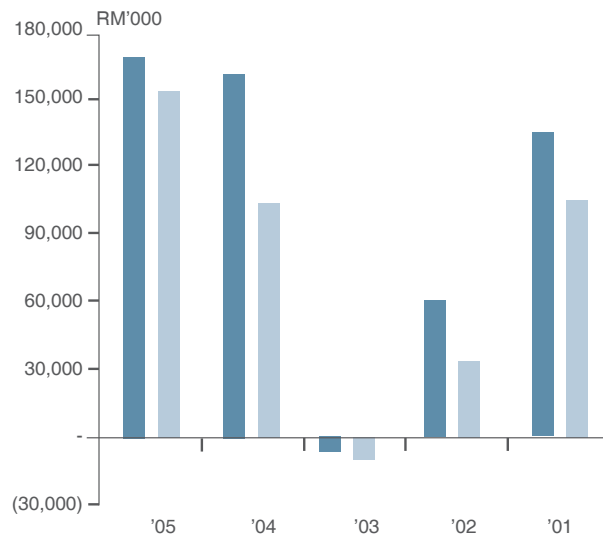
OTHERS - GROUP



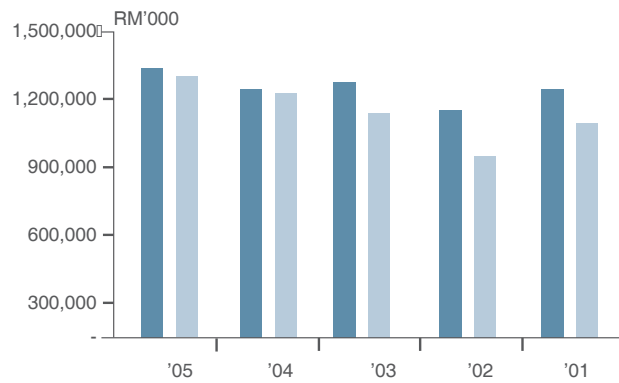
TURNOVER



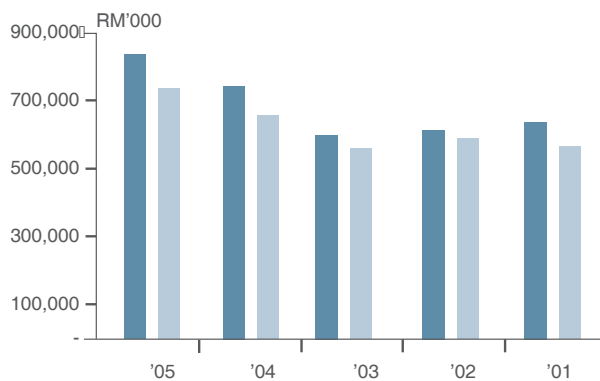
PROFIT BEFORE TAXATION



TOTAL TANGIBLE ASSETS



NET TANGIBLE ASSETS



■ Group

■ Company

CHAIRMAN'S STATEMENT

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report of Padiberas Nasional Berhad (BERNAS) for the financial year ended 31 December 2005.

Review

As reported in my statement last year, uncertain global political and economic scenario, imminent trade liberalisation and rapidly changing business environments were the key challenges we had to grapple with throughout the period under review. During a year of many internal and external changes, we remained committed about what matters most – balancing our social and commercial functions; ensuring that our focus remained on the right track; eliminating unnecessary costs; and operating with unquestionable integrity in all that we do.

Despite considerable challenges surrounding international rice prices and escalating costs of fuel and local paddy production, our results remained solid. We registered total revenue of RM1.97 billion compared to RM1.96 billion in the previous year. Well-executed cost reduction efforts and restructuring programme enabled the Group to record a higher net profit of RM125.39 million for the period under review, compared to RM117.26 million in 2004.

We applaud the recent announcement by the Prime Minister YAB Dato' Seri Abdullah Ahmad Badawi to elevate the agriculture sector as a third pillar of our economic growth in the Ninth Malaysia Plan (9MP). In that blue print of our economic direction for the next five years, the Prime Minister emphasized the importance of modernizing the agricultural sector and making it more dynamic in the nation's effort to achieve Vision 2020. This decision demonstrates the foresight and vision that will ensure stability of the Malaysian paddy and rice industry and preserve employment and investment in the entire community of stakeholders, from rural rice farmers to the scientific institutions that mapped the rice genome, in which we operate.

In tandem with the 9MP, BERNAS will focus on re-orienting our operations towards a more modern and value-added activities using the infusion of knowledge and technology. The necessary and significant investment in upgrading our rice mills is testament to this. With new factories, ongoing cost containment and the continuing PILIHAN BERNAS brand endorsement campaign, our business should show further revenue and earnings growth.

BERNAS will continue to review its corporate structure to enable it to reward shareholders and give it the flexibility to capitalize on growth opportunities. A great deal of work has been done to ensure that we are prepared for the future and to realise our full potential as one of Malaysia's leading food businesses.

These ambitions and strategies are highlighted articulately in our CEO's accompanying report. I do wish to stress, however, that ultimately our success will rest on our ability to unleash the vast potential of our team members and to adapt to the rapidly changing business conditions.

Dividends

The Board is recommending the payment of a final dividend of 4% tax exempt amounting to RM18,816,060 for the financial year ended 31 December 2005. The above dividend is subject to the shareholders' approval in the forthcoming Annual General Meeting.

Board Committees

The various Board Committees have met in 2005 and were effective in maintaining the Group's corporate governance standards. Apart from ensuring that internal controls were in place, the Board maintained regular, timely and adequate disclosure to the authorities and shareholders. Details of the roles and responsibilities of the Board Committees are set out in the Statement of Corporate Governance.

Acknowledgement

As we close the books on 2005, we would like to pay special recognition to Directors Dato' Syed Fakhri Barakbah Bin Tun Syed Sheh Barakbah, Saiful Adnan Bin Abdul Majid, YB Haji Mohd Naroden Bin Haji Majais, Dato' Siti Balkish Binti Shariff and Normi Binti Nordin, all of whom resigned in 2005 - 2006. On behalf of the Board, Management and employees, we

thank them for their leadership and guidance during their tenure as Directors.

I am particularly pleased that we added four incredibly talented individuals to the Board of Directors who will undoubtedly bring a wealth of experience and wisdom to the service of BERNAS. They are Bakry bin Hamzah, Syed Abu Bakar bin S Mohsin Almohdzar, Osman bin Makmor and Sukandar bin Abdul Latif.

My thanks to my fellow Board Members for their untiring and dedicated support and congratulations to the Management team and BERNAS' employees for their united contribution and excellent achievements in the past year.

The support and confidence of our valued shareholders, business associates and consumers too are very much appreciated.

We thank all the rice farmers for their continued support. At the time of writing there have been encouraging news of our social activities lined up for them in 2006. *Program Rakan Kilang BERNAS*, *Albukhary Tuition Program* for their children and MoUs with bumiputera millers and farming associations are some of the programmes to be launched this year. We would leverage on the 9MP to boost their morale and productivity in this coming year.

On behalf of my fellow members of the Board, I would like to take this opportunity to express our gratitude to the various Government authorities and agencies for their ongoing support, guidance and cooperation. Finally, a special mention to the honourable Minister of Agriculture and Agro-Based Industry for his support and commitment to the Malaysian paddy and rice industry.

Outlook for 2006

As we look ahead, we should anticipate the pace of change in this industry to only get faster. At BERNAS, we would be doing more than responding to what is happening around us; we would embrace change and revolutionise the way we conduct our business. Our vision, mission and corporate values would remain intact, but the route to the goal must see a change in emphasis.

There is no doubt – our journey ahead would remain challenging, especially with the increase of fuel prices and escalating global competition. However, we expect the momentum we built in 2005 to continue as we are fully committed to our cost control initiatives and our operational excellence plan that would direct us with focus, speed and renewed energy. By delivering on our vision, we believe we will continue to drive total shareholder return.

I commend this annual report to you and look forward to discussing it in detail as we work with you towards a more prosperous year in 2006.

DATUK MOHD HASHIM BIN HASSAN
Chairman

CEO'S REVIEW

السلام عليكم ورحمة الله

and Greetings
to Our Fellow Shareholders and Employees,

OVERVIEW

During the year, BERNAS successfully implemented the Group's operational rationalisation and cost reduction initiatives, which resulted in the Group's encouraging performance despite being faced with the situation of high international rice prices.

BERNAS' profit margin is indeed 'dictated' by the virtue of our responsibilities, as stipulated in the privatisation agreement with the Government. In striking a balance amongst the stakeholders especially between farmers and consumers, BERNAS faces the enormous challenge of balancing the needs of these stakeholders whose demands differ at the very extremes of the matrix. In view of this, BERNAS' success lies in its understanding of these 'demands' and its ability to provide an effective balance between them.

2005 FINANCIAL PERFORMANCE

For the financial year 2005, the Group registered RM 1.97 billion in revenue, compared to RM 1.96 billion in 2004. The year 2005 was characterised by high international rice prices (30% increase in 2003-2004; 20% increase in 2004-2005), increased price of local paddy (7% increase in 2003-2005; 6% increase in 2004-2005) and increased fuel costs. Resulting from these adversities, the Group's gross profit dropped to RM 363.17 million in 2005 compared to RM 414.02 million in 2004.

Fully aware of the challenging trading conditions in 2005, the Group entered the financial year 2005 with a clear and continuous focus to achieve optimum cost efficiency, which has been the Group's core objective since 2003. Consequently, the Group's operating expenditure for the current financial year reduced significantly by RM 62 million or 22%, compared to the previous financial year.

For the financial year ended 31 December 2005, the Group achieved a net profit of RM 125.39 million, as compared to RM 117.26 million for the previous financial year ended 31 December 2004, which represents an increase of 7%.

REVISITING THE PADDY AND RICE INDUSTRY

Essentially, the nation's paddy and rice industry policy revolves around achieving three major objectives, namely ensuring food security, raising farm income and productivity and ensuring sufficient supply at fair and stable prices. In supporting these objectives, the country has implemented measures to promote self-sufficiency level, infrastructure investments, stockpile, Guaranteed Minimum Price for paddy, paddy price and fertilizer subsidies and 'gate keeping' role by BERNAS.

Our paddy and rice industry have been trailing Thailand and Vietnam, the world's major rice exporters in terms of their cost production competitiveness. However, the nation's rice policy's objectives of attaining food security, raising farm income and productivity have resulted in a paddy and rice industry which is of a highly protected nature; to be less competitive thus giving it a lot of room for improvement in terms of cost and practices.

At the same time, trade liberalisation brings about the WTO and AFTA set of rules, which do not augur well with current rice policy practices. As the country's commitment to free trade agreements, namely WTO's Agreement on Agriculture and AFTA draws near these issues of compliances need to be addressed. They should serve as a wake-up call to the industry and policy makers on the urgency of establishing policies and reform measures necessary to restructure the industry, particularly paddy farming.

CHALLENGES OF TRADE LIBERALISATION

With the emerging era of a borderless world, the emphasis for a globally competitive industry becomes inevitable as distances between markets gradually diminish and trade boundaries become less restrictive to external players and eventually become non-existent.

The challenges of AFTA and WTO to the industry are indeed real. Pressures both internal and external will eventually lead to the liberalisation of rice trade. However, the manner in which rice trade liberalisation is effected and managed requires careful consideration. Until such time that the domestic rice industry is able to be internationally competitive, which is totally contingent on the success of structural reform in paddy farming, some degree of protection by way of regulating imports through a 'balancing' mechanism as currently being entrusted and undertaken by BERNAS is vital.

In anticipation of free trade under AFTA and WTO, BERNAS sees the market opening as a threat as well as an opportunity whereby it is essential for the Group to continually improve its cost efficiency and productivity in order to be the most efficient producer.

BERNAS' FUNCTION IN THE INDUSTRY

Balancing Role

Striking a balance is vital in order to achieve and maintain market harmony. BERNAS is not purely about making big profits; it is also concerned with balancing the food supply chain between farmers and consumers to ensure that both stakeholders get a fair share. That is why, when the world price for rice increases, market price remains stable. In pursuing its commercial function, BERNAS has been consistent in studying the impact it would have on farmers and consumers. To protect the farmers, BERNAS' import volume merely covers the shortfall of demand after ensuring the 65% of local rice production finds its way to the market. Apart from that, import also caters to the special varieties that cannot be produced locally like fragrant rice, basmathi

rice and others to suit the various types of culinary tastes and appetites of our multi racial society.

In addition to the above challenge, the country also faces the issue of rice smuggling. As we are well aware of, rice smuggling is essentially an economic issue. In performing its role to achieve market harmony and stabilization, BERNAS has reviewed its rice prices using the 'mark to market' pricing strategy, in line with the world rice market in order to combat rice smuggling activities.

Recently, there has been a growing desire amongst local rice players to mimic BERNAS' role in the industry. Unfortunately, their desire is solely derived from the angle of importation where they merely view the lucrative profits from the import of rice without taking into consideration BERNAS' daunting task of striking a balance between farmers and consumers and the burden of managing escalating costs that comes with performing the national duties and social obligations on behalf of the Government in return for its sole rice importer licence.

Social Responsibilities

The privatisation agreement with the Government has accorded BERNAS with the responsibilities of being the country's sole importer of rice. In return, BERNAS is required to fulfil the following national obligations and duties:

Social obligations:

- 1) Manage the national stockpile;
- 2) Disburse Government subsidies to farmers;
- 3) Manage the Bumiputra Millers' Scheme; and
- 4) Buyer of Last Resort at Guaranteed Minimum Price.

Duties:

- 1) Ensure sufficient rice supply is available;
- 2) Ensure fair and stable prices of rice; and
- 3) Ensure the quality and standard of rice is maintained.

Rice is a commodity that we are dependent on and it is a commodity which price is on an increasing trend. Part of BERNAS' social duties towards consumers is stabilising the price of rice. The 20% increase in world rice price in 2005 is due to prices being raised by Thailand and Vietnam; Malaysia's two main sources for the commodity. The two nations account for 30% to 35% while local rice fulfils the remaining 65% of demand in the Malaysian market. Since 2003, BERNAS has spent approximately RM 40 million to maintain the price of rice in the market instead of passing the cost to consumers, as BERNAS' duty is to stabilise the rice price.

BERNAS' Track Record

Now into its ninth year of privatisation, BERNAS can be considered as one of the more successful Government privatisation exercises. Formed in 1996 with the privatisation of Lembaga Padi dan Beras Negara (LPN), it has since undergone transformation from a Government entity that focuses on social issues to a commercially driven outfit whilst still maintaining the duties and responsibilities of the former.

BERNAS' track record in performing the delicate 'balancing act' between the interests of its shareholders with that of

farmers, consumers, other stakeholders in the rice supply chain and the nation as well, has been duly proven. This has been showcased in BERNAS' ability to weather the storms in many instances. Firstly, during the Asian financial crisis in 1997-1998 arising from the sharp realignment of exchange rates, which saw BERNAS moderating the pass through of price increases in order to stabilise consumer prices and ensure uninterrupted supply. Secondly, during the effect of the spate rampant smuggling more recently in 2002-2003 whereby BERNAS successfully mitigated this undesirable situation by pricing its rice at a small premium to the international price to reduce the incentive of smugglers. Overall, BERNAS is the only experienced corporation in the rice industry that has a strong presence both domestically as well as internationally.

Today, our track record speaks for itself. BERNAS has performed its functions well. All the more reason that BERNAS' role in the industry should continue to remain relevant beyond WTO and AFTA implementation.

CORPORATE RELATIONS

BERNAS strongly believes in the importance of giving back to the community through our social community programs. With that in mind, BERNAS has participated in several social activity programs during the year.

"Nur Ikhlas" is one of the significant social programs in 2005 where BERNAS in collaboration with the Ministry of Women, Family and Community Development, contributed towards providing food items on a bi-monthly basis to the nation's 2,000 hard-core poor families to ensure they receive a properly balanced and nutritious diet. Heeding the Government's call for corporations to help resolve the issue of the overwhelming number of unemployed graduates in the country, BERNAS initiated its Executive Development Program. Out of the thousands of applications received, 200 graduates were short-listed. After the screening process at BERNAS Assessment Centre, 30 applicants were selected to undergo a six-month developmental program in various locations within BERNAS and within five months, all 30 graduates were offered permanent employment in BERNAS. During 2005, BERNAS also provided practical training for 49 final year university students as part of their academic requirements prior to graduation. These students were given a monthly allowance throughout the duration of their practical training in BERNAS.

TEAM BUILDING AND COMMUNICATION EFFORTS

BERNAS believes that team building plays a vital role in ensuring the successful implementation of the company's goals and aspirations. Therefore, BERNAS has conducted various team-building sessions among its employees to specifically develop their spiritual and mental strengths. This will help them function more efficiently in their respective tasks and emerge more productive and competitive in today's challenging working environment.

BERNAS' top management has continuously articulated and communicated to its operational personnel a clear direction on its strategies across the organisation, focusing on effective management and operational improvement. This effort has resulted in operational efficiency, which has contributed

towards the improvement of BERNAS' performance during the year. Having this two-way communication is crucial as it allows the management to truly understand and solve problems arising at the ground level, hence making BERNAS more dynamic. Simultaneously, BERNAS has embarked on a Management Development Program to develop more utility players among its middle management. This program is hoped to provide our middle management with the necessary experience and exposure to readily undertake bigger challenges within the company. Looking ahead, BERNAS aspires to turn the program into a training ground to develop future leaders that will serve not only BERNAS but also other key organisations of the nation.

REVIEW OF OPERATIONS

RICE OPERATIONS

Our internal rice operations are divided into two divisions, namely the Marketing and Distribution Division and the Domestic Operation Division. The Marketing and Distribution Division handles the distribution, import sourcing and wholesaling operations whilst the Domestic Operation Division undertakes the local sourcing and processing operation.

Marketing and Distribution Division

At the import sourcing level, procurement is planned on a competitive platform to encourage competitive pricing and quality. Multi-sourcing strategy and mixture of spot and forward contracts are continuously deployed in addition to the most recent creation of BERNAS specification for Vietnamese white rice and glutinous rice. With the bullish trend of international rice prices in 2005, the choice for spot or forward contracts in any procurement became very pertinent in our yield management. These choices together with other measures like the utilisation of resources to achieve optimum logistics efficiencies, the improvement in warehouses as well as a contractual supply arrangement and one price strategy bench-marked against the market, had been appropriately deployed to successfully attain larger import volume and contributed to our encouraging financial performance in 2005.

Domestic Operation Division

Being a deficit country in rice production that partially relies on imported rice, the subdued smuggling activities (except for traditional border smuggling mostly in Kelantan) has heightened the competition for paddy, resulting in the overall increase of paddy prices. The average price of paddy was around RM 670 to RM 680 per metric ton, with price in excess of RM 700 per metric ton being common in some areas such as Sekinchan, Selangor. National paddy production however, fell 6% to 1.77 million metric ton in 2005 compared to 1.89 million metric ton in 2004. Whilst BERNAS' paddy purchase also declined to 369,000 metric ton compared to 382,000 metric ton in the previous year, our paddy market share increased by 1% from 20% in 2004 to 21% in 2005.

BERNAS' domestic rice operation activities in 2005 have been focused on four areas namely "Program Rakan Kilang BERNAS", improving efficiency through the upgrading of facilities, seed program and the various upstream programs in Sabah and Sarawak.

"Program Rakan Kilang BERNAS"

"Program Rakan Kilang BERNAS", a smart partnership between BERNAS and bumiputra rice millers was initiated in 2004 with the objective of helping bumiputra rice millers, both Skim Pusat Belian (SPB) and non-SPB rice mills. In this program, BERNAS funds the entire paddy purchased by participating millers and simultaneously guarantees the market of their rice at predetermined volume, quality and prices. In 2005, a total of 50 SPB and non-SPB bumiputra rice millers, which represent almost all active bumiputra rice millers, participated in this program.

Mill Efficiency Program

This efficiency increasing program was focused on rehabilitating the handling and drying facilities. Husk furnaces are also being installed as diesel replacement energy for drying, in the light of escalating diesel prices and to date, about five per cent of the project has been completed. Upon full completion in 2006, this upgrading and rehabilitating project is expected to reduce at least 30% of processing cost.

Seed Program

The seed program was initiated as part of the Government's national seed program that propose all seeds to be of certified variety by 2009, in addition to BERNAS' own strategy of procuring better quality paddy. Arrangements have been made with relevant farming communities like Pertubuhan Peladang Kawasan to be the seed growers as well as with other relevant seed producers to be BERNAS' vendor in this program.

East Malaysia Program

Effort to strengthen BERNAS' position in the domestic rice operation covers not only Peninsular Malaysia but also extends to Sabah and Sarawak. BERNAS has commenced a local rice program in collaboration with the local farming community and the local bumiputra rice millers. The program consists of seed production for specialty and white rice in the areas of Samunjan in Sarawak, Papar, Kota Belud and Marudu in Sabah, paddy production through contract farming and paddy milling through "Program Rakan Kilang BERNAS" in both states.

BRANDING EFFORTS - PILIHAN BERNAS

As part of BERNAS' effort to improve its market share and consumer loyalty, the Group has embarked on a long term brand endorsement program called PILIHAN BERNAS, which signifies the assurance of quality and best choice or enhanced value to consumers.

Since its inception in October 2004, PILIHAN BERNAS has performed well in its brand recognition stage. Qualitatively, PILIHAN BERNAS is more recognised by the target markets and channels as the result of all PILIHAN BERNAS' marketing communication activities and touch points. This is confirmed by its remarkable quantitative results with PILIHAN BERNAS' sales performance recording an overall growth of 13% for Peninsular Malaysia with emphasis on local rice and 6% growth for East Malaysia over its first year. AC Nielsen also reported a hike in market share to 24% in August 2005 for

Peninsular Malaysia, compared to 15% market share for the same brands prior to PILIHAN BERNAS' endorsement.

In strengthening our brand position as AFTA draws nearer, an aggressive PILIHAN BERNAS' marketing communication and advertising and promotion approach to reach target audience via all feasible reach and touch points concertedly with all PILIHAN BERNAS partners are on-going. BERNAS' Research and Development in affiliation with UPM is geared towards total quality assurance and is a positive attestation of PILIHAN BERNAS' key unique selling proposition.

PROSPECTS / MOVING FORWARD

BERNAS will continue to reduce cost by improving its operational efficiency. For local rice, BERNAS would continue to focus on improving and upgrading its mills in order to reduce production cost. We expect the upgrade process to be fully completed by 2007, with earlier completion of some mills in 2006. At the same time, with the inception of "Program Rakan Kilang BERNAS", which comprises bumiputra mills, BERNAS provides a helping hand towards achieving shared competitive advantage, all with the aim of remaining relevant and competitive in terms of quality and cost post AFTA. BERNAS has also formed a tie-up with the farming community to help farmers achieve sustainable farming by adopting Good Agriculture Practices to improve paddy quality. With this collaboration, BERNAS will be able to secure better paddy market share. In addition, BERNAS is playing a leading role towards the production of certified seeds. Ultimately, BERNAS believes that through its efforts in mill efficiency program, "Program Rakan Kilang BERNAS", seed program and collaboration with the farming community, we will be able to position our local rice as a premium product to the market.

On the marketing and distribution front, BERNAS' focus is on strengthening our infrastructure (inventory centres and market centres) towards achieving cost efficiency in logistics. Strategic positioning of the warehouses would facilitate in serving the market better. All these improvements will make us more competitive as the efficiency in distribution cost will provide us with some cushion over the fluctuation of international rice prices. BERNAS realised that the fastest way to learn the business is to form alliances with others who have proven successful at doing it. As such, in its move to strengthen its position as a food supplier, BERNAS has formed strategic alliances with established food players to accelerate its entry into non-rice businesses as seen in its investments in United Malayan Flour (1996) Sdn Bhd and Gardenia Bakeries (KL) Sdn Bhd. The Group has always been consistent and will continually look into new investments if there are synergies that will further enhance the value of its investment and trading.

CLOSING REMARKS

BERNAS' agility to outpace competition or break traditions in order to keep pole position in a rapidly globalised market, mirrors its courage, vision and ability to embrace change without reservation. These attributes have spurred BERNAS' success and contributed towards making BERNAS one of the more triumphant Government privatisations to-date. BERNAS also has to be aware of the negative 'C' traits of the business, i.e. complacency, contentment and carelessness that can lead the company to head in the

opposite direction. With that in view, BERNAS will continue to move forward and strengthen the Group's overall operations by consolidating ourselves towards achieving higher efficiency in our processing, marketing and distribution of rice. As BERNAS sets itself to soar higher, it is paramount that its efforts and actions to-date be sustained to further enhance the value of all stakeholders at the various levels of the supply chain. Together, Insya Allah, we shall continue tirelessly in our pursuit to enhance the nation's food and trading industry in general, and paddy and rice industry in particular, into a more vibrant, forward looking and progressive sector.

APPRECIATION

As we continue on this challenging journey, I would like to take this opportunity to express my deepest appreciation to all employees for their loyalty and professionalism as well as the Management who are ever willing to embrace change and innovation, to members of the past and present Board of Directors for their wise counsel and guidance, to my predecessors for the legacy we inherited, without which our work would be much harder, and to joint venture partners, business associates, stakeholders in the paddy and rice industry, farmers, customers and consumers for their overwhelming support and commitment. Lastly, I would like to express my utmost gratitude for the on-going support we have received from various relevant Government authorities and agencies.

I trust that all parties involved in the paddy and rice industry will continue to give us their support as we grapple with new challenges and record fresh successes. Insya Allah, standing tall on the shoulders of our past, we see further into the future that BERNAS is certainly poised for a brighter era of excellence.

Thank you.

AHMAD FUAD BIN ABDUL WAHAB
Chief Executive Officer

Calendar of Events

21 April 2005

BERNAS sent a contingent comprising members of staff to participate in the national-level Maulidur-Rasul 1426 celebration held at the Stadium Putra Bukit Jalil, Kuala Lumpur.

28 May 2005

YB Dato' Seri Shahrizat Abdul Jalil, Minister of Women, Family and Community Development, officiated the final round of Warisan Ibu PILIHAN BERNAS at Laman Budaya, Taman Tasik Shah Alam, Selangor.

4 June 2005

The Chief Financial Officer of BERNAS, Encik Mohd Nazri Shariff, officiated the two-day "Motivational Seminar and Pre-Examination Workshop" for children of BERNAS' staff at BSN Training Centre, Bangi, Selangor.

21 June 2005

BERNAS held its 11th Annual General Meeting at Dewan Bunga Tanjung, Kelab Shah Alam Selangor. Approximately 500 shareholders attended the meeting.



6-7 September 2005

BERNAS contributed RM500,000.00 in support of the Global Leadership Forum 2005 held for the first time in Malaysia at the Kuala Lumpur Convention Centre.

February 2005

BERNAS joined TV3's Karnival SureHeboh which began in February and ended in December 2005 at the Melawati Stadium in Shah Alam.

10-11 September 2005

The Chief Executive Officer of BERNAS, Encik Ahmad Fuad Abdul Wahab flagged off PILIHAN BERNAS Treasure Hunt at CP Tower compound, Petaling Jaya Selangor.

27 September 2005

YB Dato' Seri Shahrizat Abdul Jalil, Minister of Women, Family and Community Development, officiated the launching ceremony of "Nur Ikhlas", a smart partnership social programme with the Ministry and Department of Social Welfare. The ceremony was held at Kg Mahligai, Bachok, Kelantan.



17 December 2005

The Fiesta Discovery PILIHAN BERNAS held at ten locations nationwide received encouraging response with more than 10,000 people visiting every location.

30 June 2005

Beras Corporation Sdn Bhd (BCSB), a wholly owned subsidiary of BERNAS, entered into a Subscription Agreement with Liansin Trading Sdn Bhd (Liansin). The Proposed Subscription involving 30% equity interest in Liansin, is expected to strengthen BCSB's distribution network in East Malaysia. The Proposed Subscription was completed on 30 August 2005.



14 July 2005

YB Dato' Seri Hj Mohd Shariff Hj Omar, Deputy Minister of Agriculture and Agro-Based Industry, witnessed the signing ceremony of Memorandum of Agreement between BERNAS and Pertubuhan Peladang Kawasan (PPK) Lahar Bubu and officially opened the Paddy Purchasing Centre of PPK Lahar Bubu, Seberang Prai Utara.



26-31 July 2005

In conjunction with 'Malaysia Consumer Day' launched by the Deputy Prime Minister, YAB Dato' Seri Najib Razak, BERNAS participated in the exhibition held at Kuala Lumpur Convention Centre.



18-25 August 2005

BERNAS participated in the National Farmers, Breeders and Fishermen's Day 2005 at Shah Alam Stadium, Selangor. BERNAS also took part in the exhibitions held in Perlis, Kedah, Perak, Negri Sembilan and Kelantan.



28 September 2005

YB Tan Sri Muhyiddin Yassin, Minister of Agriculture and Agro-Based Industry, graced the launching ceremony of "Kualiti Songket PILIHAN BERNAS" at Sri Pentas TV3, Petaling Jaya, Selangor.

28 October 2005

Staff of BERNAS had the chance to get closer to the Management during a *Buka Puasa* gathering hosted by the latter, at Kuala Lumpur Golf & Country Club, Kuala Lumpur.

29 November 2005

The Chief Executive Officer of BERNAS, Encik Ahmad Fuad Abdul Wahab, conducted a briefing on BERNAS' social and commercial functions to members of the Backbenchers Club at the Parliament Building, Kuala Lumpur

14 December 2005

Kelab BERNAS Wilayah Persekutuan and the National Blood Centre Mobile Unit jointly organised a blood donation drive at Segemal Room, CP Tower, Petaling Jaya, Selangor.



19- 23 December 2005

A Foster Family Programme was organised by BERNAS' headquarters and brought joy to 30 children of BERNAS' staff from outside the Klang Valley.



13 January 2006

BERNAS held an exhibition in conjunction with "Pesta Menuai dan Mengemping Padi Bersama YAM Tengku Muda Pahang" at Kg Paya Sepat, Kuantan Pahang.



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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of the importation of rice, activities in relation to the distribution of rice and investment holding. Pursuant to the Privatisation Agreement between the Company and the Government of Malaysia dated 12 January 1996 ("the Privatisation Agreement"), the Company shall also ensure the maintenance of the sufficient supply of rice at reasonably fair and stable prices. The Company's obligations under the Privatisation Agreement also include the maintenance of the rice stockpile, the distribution of paddy price subsidies to farmers on behalf of the Government, the management of the Bumiputra Rice Millers Scheme and acting as a buyer of last resort at the Guaranteed Minimum Price of paddy.

The principal activities of the subsidiaries are described in Note 35(a) to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group	Company
	RM'000	RM'000
Profit after taxation	130,616	130,409
Minority interests	(5,227)	-
Net profit for the year	<u>125,389</u>	<u>130,409</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2004 was as follows:

	RM'000
In respect of the financial year ended 31 December 2004 as reported in the directors' report of that year:	
Final dividend of 3.5% tax exempt, on 467,192,001 ordinary shares, declared on 29 June 2005 and paid on 31 July 2005	16,352
In respect of the financial year ended 31 December 2005:	
Interim dividend of 4.0% tax exempt, on 470,401,501 ordinary shares, declared on 28 November 2005 and paid on 3 January 2006	18,816
	<u>35,168</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005 of 4.0% tax exempt on 470,401,501 ordinary shares, amounting to a dividend payable of RM18,816,060 (4.0 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2006.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Mohd Hashim bin Hassan

Dohat bin Shafiee

Dato' Bukhari bin Mohd Sawi

Dato' Abdul Rahim bin Mokti *

Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor *

Abdul Rahman bin Datuk Haji Dahlan

Datuk Azizan bin Ayob

Bakry bin Hamzah (appointed on 14 September 2005)

Syed Abu Bakar bin S Mohsin Almohdzar (appointed on 22 November 2005)

Sukandar Bin Abdul Latif (appointed as alternate director to Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor on 28 November 2005)

Osman bin Makmor (appointed as alternate director to Dato' Abdul Rahim bin Mokti on 23 February 2006)

Dato' Siti Balkish binti Mohd Shariff (resigned as alternate director to Dato' Sri Abi Musa Asa'ari bin Mohamed Nor on 28 November 2005)

Normi binti Nordin (resigned as alternate director to Dato' Abdul Rahim bin Mokti on 13 February 2006)

Saiful Adnan bin Abdul Majid (resigned on 25 May 2005)

Dato' Syed Fahkri Barakbah bin Tun Syed Sheh Barakbah (resigned on 22 November 2005)

YB Haji Mohd Naroden bin Haji Majais (resigned on 27 April 2006)

* Directors appointed by Special Shareholder, Minister of Finance (Incorporated).

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at anytime during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the Employee Share Options Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interest in shares or options over ordinary shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM463,360,501 to RM470,401,501 by way of the issuance of 7,041,000 ordinary shares of RM1.00 each for cash pursuant to the exercise of the Company's Employee Share Options Scheme at the exercise price of RM1.17 per ordinary share.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

EMPLOYEE SHARE OPTIONS SCHEME

The Company's Employee Share Options Scheme ("ESOS") is governed by the By-Laws approved by the shareholders at the Extraordinary General Meeting held on 27 June 2000. The ESOS was in force on 15 September 2000 for a period of 5 years. The ESOS expired during the financial year on 15 September 2005.

The salient features of the ESOS are as follows:

- (a) Eligible persons are employees of the Group (including executive directors) who have been confirmed in the employment of the Group and have served for at least one year before the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors.
- (b) The total number of shares to be offered shall not exceed in aggregate 10% of the issued share capital of the Company at any one time during the existence of the ESOS.
- (c) The option price shall be at a discount of not more than 10% from the five day weighted average market price of the Company's shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad immediately preceding the offer date of the option or at the par value of the Company's shares, whichever is higher.
- (d) No offer shall be made for less than 1,000 shares and not more than 290,000 shares to any eligible employee.
- (e) An option granted under the ESOS is exercisable by the grantee by notice in writing to the Company before the expiry date of five years from the date of the offer or such shorter period as specified in such offer.
- (f) The number of shares under option or the option price or both so far as the option remain unexercised may be adjusted following any variation in the issued share capital of the Company by way of a capitalisation or rights issue or a reduction, subdivision or consolidation of the Company's shares made by the Company.
- (g) The shares under option shall remain unissued until the option is exercised and shall on allotment rank *pari passu* in all respects with the existing shares of the Company at the time of allotment save that they will not entitle the holders thereof to receive any rights and bonus issues announced or to any dividend or other distribution declared to the shareholders of the Company as at a date which precedes the date of the exercise of the option.
- (h) The Option Committee may at its discretion at any time and from time to time as it shall deem fit, select and make an offer in writing to any eligible employee to subscribe for shares in the Company based on the criteria for allotment and eligibility set out in By-Laws. The number of new shares which may be offered and allotted to the eligible employee shall be at the discretion of the Option Committee and shall not be less than 1,000 shares and not more than 290,000 shares and shall always be in multiples of 1,000 shares.

EMPLOYEE SHARE OPTIONS SCHEME (CONTD)

The movement in the options to take up unissued new ordinary shares of RM1.00 each and the option price were as follows:-

Option Price	1 January	Exercised	Cancelled	Expired on	31 December
	2005			15 September	
RM1.17	10,627,000	(7,041,000)	(4,500)	(3,581,500)	-

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events are as disclosed in Note 34 to the financial statements.

AUDITORS

The auditors, Hanafiah Raslan & Mohamad, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors

Datuk Mohd Hashim bin Hassan

Syed Abu Bakar S Mohsin Almohdzar

Petaling Jaya, Selangor Darul Ehsan
27 April 2006

Statement by Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Mohd Hashim bin Hassan and Syed Abu Bakar S Mohsin Almohdzar, being two of the directors of Padiberas Nasional Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 40 to 105 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

Datuk Mohd Hashim bin Hassan

Syed Abu Bakar S Mohsin Almohdzar

Petaling Jaya, Selangor Darul Ehsan
27 April 2006

Statutory Declaration

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Mohd Nazri bin Md Shariff, being the officer primarily responsible for the financial management of Padiberas Nasional Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 40 to 105 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Mohd Nazri bin Md Shariff
at Petaling Jaya in Selangor Darul Ehsan
on 27 April 2006

Before me,

Chan Yat Hee
B044
Commissioner for Oaths

Mohd Nazri bin Md Shariff

Report of The Auditors

TO THE MEMBERS OF PADIBERAS NASIONAL BERHAD (Incorporated in Malaysia)

We have audited the financial statements set out on pages 40 to 105. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 35(a) to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Hanafiah Raslan & Mohamad
AF: 0002
Chartered Accountants

Abdul Rauf bin Rashid
No. 2305/05/06(J)
Partner

Kuala Lumpur, Malaysia
27 April 2006

Income Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue	3	1,970,072	1,964,975	1,662,589	1,644,824
Cost of sales	4	(1,606,899)	(1,550,955)	(1,462,132)	(1,419,823)
Gross profit		363,173	414,020	200,457	225,001
Other operating income		13,961	24,791	49,097	54,043
Administration and other operating expenses		(222,300)	(284,309)	(95,724)	(171,944)
Profit from operations	5	154,834	154,502	153,830	107,100
Finance costs, net	8	(3,754)	(7,812)	(2)	(4,724)
Share of results of associates		18,683	12,706	-	-
Profit before taxation		169,763	159,396	153,828	102,376
Taxation	9	(39,147)	(38,070)	(23,419)	(26,811)
Profit after taxation		130,616	121,326	130,409	75,565
Minority interests		(5,227)	(4,067)	-	-
Net profit for the year		125,389	117,259	130,409	75,565
Earnings per share (sen):					
Basic	10	26.9	26.1		
Diluted	10	-	26.0		
Net dividends per ordinary share in respect of the year (sen):					
	11	7.5	4.5	7.5	4.5

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

Balance Sheets

AS AT 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	221,228	224,700	111,487	28,650
Investment in subsidiaries	13	-	-	317,832	322,794
Investment in associates	14	147,516	116,543	92,694	67,694
Other investments	15	6,052	6,352	6,000	6,000
Intangible assets	16	139	189	-	-
Deferred tax assets	17	55,782	57,304	48,133	31,047
Lease prepayments	20	24,116	-	24,116	-
		<u>454,833</u>	<u>405,088</u>	<u>600,262</u>	<u>456,185</u>
CURRENT ASSETS					
Tax recoverable		14,984	10,644	13,472	6,300
Inventories	18	317,119	211,604	159,634	90,514
Trade receivables	19	297,940	243,486	326,132	248,771
Other receivables	20	60,152	33,454	86,436	146,108
Short term deposits	21	143,804	202,985	116,500	173,385
Cash and bank balances		105,917	131,242	55,026	82,060
		<u>939,916</u>	<u>833,415</u>	<u>757,200</u>	<u>747,138</u>
CURRENT LIABILITIES					
Retirement benefit obligations	22	1,805	1,800	1,278	1,303
Short term borrowings	23	263,369	238,685	152,455	127,759
Trade payables	25	32,949	23,651	15,450	7,867
Other payables	26	95,866	103,768	378,136	384,617
Dividend payable	11	18,816	-	18,816	-
Tax payable		4,458	5,245	-	-
		<u>417,263</u>	<u>373,149</u>	<u>566,135</u>	<u>521,546</u>
NET CURRENT ASSETS		<u>522,653</u>	<u>460,266</u>	<u>191,065</u>	<u>225,592</u>
		<u>977,486</u>	<u>865,354</u>	<u>791,327</u>	<u>681,777</u>

Balance Sheets

AS AT 31 DECEMBER 2005 (CONTD)

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
FINANCED BY:					
Share capital	27	470,402	463,361	470,402	463,361
Reserves		362,121	263,378	287,151	189,864
Shareholders' equity		832,523	726,739	757,553	653,225
Minority interests		63,659	59,279	-	-
		896,182	786,018	757,553	653,225
Retirement benefit obligations	22	42,792	37,257	30,018	26,175
Long term borrowings	23	10,427	9,501	-	-
Deferred tax liabilities	17	28,085	32,578	3,756	2,377
Non-current liabilities		81,304	79,336	33,774	28,552
		977,486	865,354	791,327	681,777

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

Consolidated Statement Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2005

GROUP	Share capital RM'000	Non- distributable reserves (Note 28) RM'000	Distributable retained profit (Note 29) RM'000	Total RM'000
At 1 January 2004	444,253	39,998	133,451	617,702
Transfer to Government Stockpile	-	(9,847)	-	(9,847)
Currency exchange translation differences	-	(736)	-	(736)
Net loss not recognised in the income statement	-	(10,583)	-	(10,583)
Capitalisation of distributable profits of a subsidiary for bonus issue	-	(6,750)	6,750	-
Issuance of shares via exercise of ESOS (Note 27)	19,108	3,249	-	22,357
Net profit for the year	-	-	117,259	117,259
Dividends (Note 11)	-	-	(19,996)	(19,996)
At 31 December 2004	463,361	25,914	237,464	726,739
At 1 January 2005	463,361	25,914	237,464	726,739
Transfer from Government Stockpile	-	6,651	-	6,651
Currency exchange translation differences	-	81	-	81
Net gain not recognised in the income statement	-	6,732	-	6,732
Revaluation reserve	-	559	-	559
Reserve on consolidation	-	34	-	34
Issuance of shares exercise of ESOS (Note 27)	7,041	1,197	-	8,238
Net profit for the year	-	-	125,389	125,389
Dividends (Note 11)	-	-	(35,168)	(35,168)
At 31 December 2005	470,402	34,436	327,685	832,523

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

Statement Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2005

COMPANY	Share capital RM'000	Non- distributable reserves (Note 28) RM'000	Distributable retained profit (Note 29) RM'000	Total RM'000
At 1 January 2004	444,253	19,879	112,558	576,690
Transfer to Government Stockpile	-	(1,391)	-	(1,391)
Net loss not recognised in the income statement	-	(1,391)	-	(1,391)
Issuance of shares via exercise of ESOS (Note 27)	19,108	3,249	-	22,357
Net profit for the year	-	-	75,565	75,565
Dividends (Note 11)	-	-	(19,996)	(19,996)
At 31 December 2004	463,361	21,737	168,127	653,225
At 1 January 2005	463,361	21,737	168,127	653,225
Transfer from Government Stockpile	-	849	-	849
Net gain not recognised in the income statement	-	849	-	849
Issuance of shares via exercise of ESOS (Note 27)	7,041	1,197	-	8,238
Net profit for the year	-	-	130,409	130,409
Dividends (Note 11)	-	-	(35,168)	(35,168)
At 31 December 2005	470,402	23,783	263,368	757,553

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

Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	169,763	159,396	153,828	102,376
Adjustments for:				
Bad debts written off	-	1,013	-	-
Provision for doubtful debts, net	6,970	6,463	8,103	12,850
Amortisation of intangible assets	50	1,473	-	-
Intangible assets written off	-	6,721	-	-
Reserve on acquisition written off	-	(14)	-	-
Amortisation of reserve on acquisition	(2,164)	-	-	-
Depreciation	18,968	25,036	8,229	5,797
Inventories written off	-	338	-	-
Gain on disposal of property, plant and equipment	(712)	(2,408)	(365)	(1,623)
Property, plant and equipment written off	159	19,896	-	7,707
Provision for impairment loss on investments	300	-	4,571	35,262
Provision for retirement benefits	7,341	6,516	5,121	4,613
Loss/(gain) on disposal of subsidiaries	953	(7,552)	730	(15,750)
Loss on disposal of associates	-	740	-	-
Interest expense	8,287	12,972	3,483	8,968
Interest income	(4,968)	(5,787)	(3,789)	(4,857)
Gross dividend income	-	-	(32,070)	(30,930)
Share of results of associates (Writeback of)/provision for Voluntary Separation Scheme ("VSS") compensation costs	(9,123)	18,000	(9,123)	18,000
Operating profit before working capital changes	177,141	230,097	138,718	142,413
(Increase)/decrease in receivables	(121,358)	35,216	(56,461)	(79,290)
(Increase)/decrease in inventories	(73,616)	7,251	(42,981)	5,036
Increase/(decrease) in payables	6,532	(38,903)	(87,404)	114,001
Cash (used in)/generated from operations	(11,301)	233,661	(48,128)	182,160
Interest paid	(8,287)	(12,972)	(3,483)	(8,968)
VSS compensation paid	(1,779)	-	(1,779)	-
Retirement benefits paid	(1,801)	(1,875)	(1,303)	(1,619)
Net tax (paid)/refunded	(43,707)	6,378	(37,318)	19,053
Net cash (used in)/generated from operating activities	(66,875)	225,192	(92,011)	190,626

Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTD)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income received	4,993	5,787	3,789	4,857
Net dividend received from:				
- subsidiaries	-	-	15,615	21,000
- associates	12,249	2,414	12,249	2,414
(Purchase)/disposal of investment in associates (Note 14)	(26,577)	2,251	(25,000)	-
Purchase of investment (Note 20(b))	(14,757)	-	(14,757)	-
Purchase of property, plant and equipment	(17,228)	(7,443)	(1,095)	(449)
Proceeds from disposal of property, plant and equipment	8,324	4,326	804	2,596
Disposal of subsidiaries, net of cash disposed (Note 13(a))	(96)	20,086	(96)	21,000
Net cash (used in)/generated from investing activities	(33,092)	27,421	(8,491)	51,418
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	614,824	452,025	305,585	357,422
Repayment of borrowings	(597,504)	(666,196)	(280,888)	(526,905)
Proceeds from the issuance of shares via the exercise of ESOS	8,238	22,357	8,238	22,357
Dividend paid	(16,352)	(19,996)	(16,352)	(19,996)
Net cash generated from/(used in) financing activities	9,206	(211,810)	16,583	(167,122)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS				
	(90,761)	40,803	(83,919)	74,922
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR				
	334,227	285,272	255,445	180,523
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR				
	243,466	326,075	171,526	255,445
Cash and cash equivalents comprise:				
Cash and bank balances	105,917	131,242	55,026	82,060
Short term deposits (Note 21)	143,804	202,985	116,500	173,385
Bank overdrafts (Note 23)	(6,255)	(8,152)	-	-
	243,466	326,075	171,526	255,445

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

Notes To The Financial Statements

31 DECEMBER 2005

1 CORPORATE INFORMATION

The principal activities of the Company are those of the importation of rice, activities in relation to the distribution of rice and investment holding. Pursuant to the Privatisation Agreement between the Company and the Government of Malaysia dated 12 January 1996 ("the Privatisation Agreement"), the Company shall also ensure the maintenance of the sufficient supply of rice at reasonably fair and stable prices. The Company's obligations under the Privatisation Agreement also include the maintenance of the rice stockpile, the distribution of paddy price subsidies to farmers on behalf of the Government, the management of the Bumiputra Rice Millers Scheme and acting as a buyer of last resort at the Guaranteed Minimum Price of paddy.

The principal activities of the subsidiaries are described in Note 35(a) to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 19, CP Tower, No. 11 Section 16/11, Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan.

The number of employees in the Group and in the Company at the end of the financial year was 2,807 (2004: 3,090) and 802 (2004: 1,003) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 April 2006

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(b) Basis of Consolidation (Contd)

(ii) Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates.

Under the equity method of accounting, the Group's share of profits less losses of associates during the financial year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

(c) Investments in Subsidiaries and Associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is recognised in the income statement.

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

Freehold land and construction work-in-progress are not depreciated. Leasehold land is depreciated over the period of the lease which ranges from 50 to 99 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings and infrastructure	2% to 20%
Renovation	10% to 20%
Plant and machinery	4% to 20%
Furniture, fittings and office equipment	10% to 40%
Motor vehicles	20%

The property, plant and equipment transferred from Lembaga Padi dan Beras Negara ("LPN") on 7 July 1994 (transfer date) are depreciated over the remainder of the useful lives of these assets as at the transfer date.

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(e) Inventories

Inventories are stated at the lower of cost (determined on weighted average basis) and net realisable value. Cost includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The Company is vested with the duty to maintain and manage the Government Stockpile of rice of 92,000 metric tonnes. The inventories of paddy and rice of the Group and of the Company are disclosed net of the Government Stockpile. Surplus arising from the valuation of inventories attributable to the Government Stockpile is dealt with in the Stockpile Fluctuation Reserve Account. Deficit fluctuations in excess of the amount in reserve are charged to the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks and deposits at call, which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(g) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases

(i) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(d).

(ii) Operating Leases

Lease payment on land and buildings is amortised as an expense in the income statement on a straight-line basis over the term of the lease.

(h) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(i) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(iii) Defined benefit plan

In addition to contributions to the EPF, the Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligations under the Scheme are determined based on a triennial actuarial valuation where the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted using the Projected Unit Credit Method in order to determine its present value. Actuarial gains and losses are recognised as income or expense in the income statement immediately.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations.

(j) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of goods

Revenue relating to the sale of goods is recognised net of sales taxes, discounts and returns upon transfer of risks and rewards

(k) Foreign Currencies

(i) Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

(ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(k) Foreign Currencies (Contd)

The principal exchange rates for every unit of foreign currency ruling at the balance sheet date used are as follows:

	2005 RM	2004 RM
United States Dollar	3.7995	3.8000
Guinee Franc	-	0.0013

(l) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

(m) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(n) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the carrying amount of investments in associates.

Goodwill is amortised on a straight-line basis over its estimated useful life of 10 years.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

To the extent that negative goodwill relates to expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which are not identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised.

(o) Trademarks

Trademarks are recognised as intangible assets if it is probable that the future economic benefits that are attributable to such assets will flow to the enterprise and the costs of such assets can be measured reliably.

Trademarks are stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l). Amortisation of trademark is charged to the income statement based on a straight line basis over the estimated useful life of 10 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(p) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

3. REVENUE

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Sale of rice	1,793,705	1,784,051	1,488,563	1,480,484
Sale of poultry products	61	2,758	-	-
Others	176,306	178,166	174,026	164,340
	<u>1,970,072</u>	<u>1,964,975</u>	<u>1,662,589</u>	<u>1,644,824</u>

4. COST OF SALES

Cost of sales represents costs of inventories sold, costs of services provided and contract costs recognised as an expense. Cost of local rice sold includes overhead costs of paddy complexes.

5. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Staff costs (Note 6)	117,157	123,007	58,099	63,162
Non-executive directors' remuneration (Note 7)	749	646	495	507
Auditors' remuneration:				
Statutory audits	539	561	157	157
Other services	238	271	-	185
Bad debts written off	-	1,013	-	-
Provision for doubtful debts, net	6,970	6,463	8,103	12,850
Bad debts recovered	-	(1,017)	-	-
Amortisation of intangible assets	50	1,473	-	-
Intangible assets written off	-	6,721	-	-
Reserve on acquisition written off	-	(14)	-	-
Amortisation of reserve on acquisition	(2,164)	-	-	-
Depreciation	18,968	25,036	8,229	5,797
Inventories written off	-	338	-	-
Rental of land and building	14,617	16,668	5,694	5,789
Realised gain on foreign exchange	(3,132)	(36)	(3,132)	(36)
Gain on disposal of property, plant and equipment	(712)	(2,408)	(365)	(1,623)

5. PROFIT FROM OPERATIONS (CONTD)

Profit from operations is stated after charging/(crediting)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Property, plant and equipment written off	159	19,896	-	7,707
Provision for impairment loss on investments	300	-	4,571	35,262
Provision for retirement benefits	7,341	6,516	5,121	4,613
Rental income	(550)	(1,282)	(7,511)	(1,093)
Loss/(gain) on disposal of a subsidiary	953	(7,552)	730	(15,750)
Loss on disposal of associates	-	740	-	-
Gross dividends from a subsidiary	-	-	(21,000)	(23,490)
Gross dividends from associates	-	-	(11,070)	(3,353)
Tax exempt dividends from a subsidiary	-	-	(495)	(4,087)
Tax exempt dividends from an associate	-	-	(4,279)	-
Rental of plant and machinery	1,518	1,515	-	-
(Writeback of)/provision for Voluntary Separation Scheme ("VSS") compensation costs	(9,123)	18,000	(9,123)	18,000

6. STAFF COSTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Wages and salaries	94,628	102,658	46,496	53,986
Termination benefits	129	310	-	-
Social security costs	1,354	849	327	339
Short term accumulating compensated absences	143	47	-	-
Pension costs - defined contribution plan	8,885	8,510	5,777	3,836
Pension costs - defined benefit plan (Note 22)	7,341	6,516	5,121	4,613
Other staff related expenses	4,677	4,117	378	388
	117,157	123,007	58,099	63,162

Included in staff costs of the Group are executive directors' remuneration amounting to RM4,784,000 (2004: RM4,234,000) as disclosed in Note 7.

7. DIRECTORS' REMUNERATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Directors of the Company				
Non-Executive:				
Fees	495	507	495	507
Directors of subsidiaries				
Executive:				
Salaries, bonus and other emoluments	4,392	3,814	-	-
Pension costs - defined contribution plan	392	420	-	-
Benefits-in-kind	-	9	-	-
	4,784	4,243	-	-
Non-Executive:				
Fees	254	139	-	-
	5,038	4,382	-	-
Total	5,533	4,889	495	507
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 6)	4,784	4,234	-	-
Total non-executive directors' remuneration excluding benefits-in-kind (Note 5)	749	646	495	507
Total directors' remuneration excluding benefits-in-kind	5,533	4,880	495	507

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of directors	
	2005	2004
Non-Executive directors:		
Below RM50,000	13	12
Above RM100,000	1	1

8. FINANCE COSTS, NET

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest expense on borrowings	8,287	12,972	3,483	8,968
Bank charges	435	627	308	613
Interest income from deposits	(4,968)	(5,787)	(3,789)	(4,857)
	<u>3,754</u>	<u>7,812</u>	<u>2</u>	<u>4,724</u>

9. TAXATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Income tax:				
Charge for the year	47,637	40,237	48,184	32,416
Overprovision in prior years	(9,143)	(273)	(9,058)	-
	<u>38,494</u>	<u>39,964</u>	<u>39,126</u>	<u>32,416</u>
Deferred tax (Note 17):				
Relating to origination and reversal of temporary differences	7,675	(965)	(4,928)	(1,400)
Overprovision in prior years	(10,646)	(4,335)	(10,779)	(4,205)
	<u>(2,971)</u>	<u>(5,300)</u>	<u>(15,707)</u>	<u>(5,605)</u>
Share of taxation in:				
Associates	3,624	3,406	-	-
	<u>39,147</u>	<u>38,070</u>	<u>23,419</u>	<u>26,811</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The concessionary income tax rate applicable to companies with paid up capital of RM2,500,000 and below is 20% on chargeable income of up to RM500,000 (2004: RM500,000). For chargeable income in excess of RM500,000 (2004: RM500,000), the tax rate of 28% is applicable.

9. TAXATION (CONTD)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	2005 RM'000	2004 RM'000
Group		
Profit before taxation	169,763	159,396
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	47,534	44,631
Effect of differential tax rate in other country	-	(45)
Tax incentive obtained from differential tax rate of 20%	(213)	(202)
Effect of expenses not deductible for tax purposes	1,303	7,941
Effect of income not subject to tax	(1,411)	(1,549)
Utilisation of unutilised tax losses and capital allowances brought forward from previous years	(510)	(10,324)
Deferred tax assets not recognised	12,625	2,542
Utilisation of current year unutilised capital allowance	-	(3)
Utilisation of current year reinvestment allowance	(392)	(313)
Overprovision of deferred tax in prior years	(10,646)	(4,335)
Overprovision of income tax in prior years	(9,143)	(273)
Tax expense for the year	39,147	38,070
Company		
Profit before taxation	153,828	102,376
Taxation at Malaysian tax rate of 28% (2004: 28%)	43,072	28,665
Effect of expenses not deductible for tax purposes	1,521	3,496
Effect of income not subjected to tax	(1,337)	(1,145)
Overprovision of deferred tax in prior years	(10,779)	(4,205)
Overprovision of income tax in prior years	(9,058)	-
Tax expense for the year	23,419	26,811

Tax losses are analysed as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Tax savings recognised				
during the year arising from:				
Utilisation of tax losses				
brought forward	1,150	18,540	-	18,295
Unutilised capital				
allowances brought forward	1,719	6,499	-	-

10. EARNINGS PER SHARE**(a) Basic**

Basic earnings per share is calculated by dividing the net profit or loss for the year by the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2005	2004
Net profit for the year (RM'000)	125,389	117,259
Weighted average number of ordinary shares in issue ('000)	466,473	449,148
Basic earnings per share (sen)	26.9	26.1

(b) Diluted

There is no dilutive effect on the basic earnings per share of the Company at the end of the financial year as there are no share options remaining unexercised as at 31 December 2005. This is pursuant to the expiration of the ESOS on 15 September 2005.

For the purpose of calculating diluted earnings per share in the previous year, the net profit for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, that is, from share options granted to employees.

The adjusted weighted average number of ordinary shares is the weighted average number of ordinary shares in issue during the previous financial year plus the weighted average number of ordinary shares which would be issued on the conversion of the unexercised ESOS into ordinary shares.

	Group 2004
Net profit for the year (RM'000)	117,259
Weighted average number of ordinary shares in issue ('000)	449,148
Effect of dilution - Share options	1,474
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	450,622
Diluted earnings per share (sen)	26.0

11. DIVIDENDS

COMPANY	Amount		Net dividends per share	
	2005 RM'000	2004 RM'000	2005 Sen	2004 Sen
In respect of financial year end 2005:				
Interim dividend of 4.0% tax exempt, on 470,401,501 ordinary shares, paid on 3 January 2006	18,816	-	4.0	-
Final dividend of 3.5% tax exempt, on 463,360,501 ordinary shares, paid on 31 July 2005	16,352	-	3.5	-
In respect of financial year end 2004:				
Interim dividend of 4.5% tax exempt, on 444,298,501 ordinary shares, paid on 25 June 2004	-	19,996	-	4.5
	35,168	19,996	7.5	4.5

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005 of 4.0% tax exempt on 470,401,501 ordinary shares, amounting to a dividend payable of RM18,816,060 (4.0 sen net per ordinary share) will be proposed for shareholders approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2006.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Buildings and infrastructure RM'000	Plant and machinery RM'000	Work-in-Progress RM'000	Others* RM'000	Total RM'000
Cost							
At 1 January 2005	14,688	6,585	66,008	184,287	10,951	67,148	349,667
Additions	1,809	1,142	2,107	8,853	2,468	7,951	24,330
Disposals	-	(681)	(4,462)	(1,747)	-	(3,129)	(10,019)
Write-off	-	-	-	(152)	-	(17)	(169)
Disposal of a subsidiary	-	-	(821)	(1,030)	-	(466)	(2,317)
Reclassification	-	(2,062)	4,131	7,509	(6,053)	(3,525)	-
At 31 December 2005	16,497	4,984	66,963	197,720	7,366	67,962	361,492
Accumulated depreciation and impairment losses							
At 1 January 2005	-	1,052	9,597	60,546	-	53,772	124,967
Charge for the year	-	90	1,981	9,536	-	7,361	18,968
Disposals	-	(23)	(171)	(222)	-	(1,991)	(2,407)
Write-off	-	-	-	-	-	(10)	(10)
Disposal of a subsidiary	-	-	(215)	(748)	-	(291)	(1,254)
Reclassification	-	(701)	562	(536)	-	675	-
At 31 December 2005	-	418	11,754	68,576	-	59,516	140,264
Net Book Value							
At 31 December 2005	16,497	4,566	55,209	129,144	7,366	8,446	221,228
At 31 December 2004	14,688	5,533	56,411	123,741	10,951	13,376	224,700
Details at 1 January 2004							
Cost	16,728	5,555	63,142	210,576	9,563	96,689	402,253
Accumulated depreciation	-	844	7,770	63,686	-	65,305	137,605
Depreciation charge for 2004							
	-	208	2,003	11,103	-	11,722	25,036

12. PROPERTY, PLANT AND EQUIPMENT (CONTD)

* Others	Furniture, fittings and office equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
GROUP				
Cost				
At 1 January 2005	40,198	1,848	25,102	67,148
Additions	923	6,647	381	7,951
Disposals	(133)	(29)	(2,967)	(3,129)
Write-off	(17)	-	-	(17)
Disposal of a subsidiary	(182)	(138)	(146)	(466)
Reclassification	(2,112)	(3,024)	1,611	(3,525)
At 31 December 2005	<u>38,677</u>	<u>5,304</u>	<u>23,981</u>	<u>67,962</u>
Accumulated depreciation and impairment losses				
At 1 January 2005	34,735	814	18,223	53,772
Charge for the year	4,125	381	2,855	7,361
Disposals	(12)	(14)	(1,965)	(1,991)
Write-off	(10)	-	-	(10)
Disposal of a subsidiary	(123)	(38)	(130)	(291)
Reclassification	(826)	531	970	675
At 31 December 2005	<u>37,889</u>	<u>1,674</u>	<u>19,953</u>	<u>59,516</u>
Net Book Value				
At 31 December 2005	<u>788</u>	<u>3,630</u>	<u>4,028</u>	<u>8,446</u>
At 31 December 2004	<u>5,463</u>	<u>1,034</u>	<u>6,879</u>	<u>13,376</u>
Details at 1 January 2004				
Cost	49,010	3,586	44,093	96,689
Accumulated depreciation	38,224	602	26,479	65,305
Depreciation charge for 2004	<u>6,480</u>	<u>355</u>	<u>4,887</u>	<u>11,722</u>

12. PROPERTY, PLANT AND EQUIPMENT (CONTD)

COMPANY	Long term leasehold land RM'000	Building and infrastructure RM'000	Plant and machinery RM'000	Others*	Total RM'000
Cost					
At 1 January 2005	1,022	8,560	25,514	22,296	57,392
Additions	-	-	-	1,095	1,095
Disposals	-	-	-	(1,303)	(1,303)
Transfer from a subsidiary	1,772	23,861	99,663	20,353	145,649
At 31 December 2005	2,794	32,421	125,177	42,441	202,833
Accumulated depreciation and impairment losses					
At 1 January 2005	179	2,150	8,862	17,551	28,742
Charge for the year	41	904	4,361	2,923	8,229
Disposals	-	-	-	(864)	(864)
Transfer from a subsidiary	256	2,628	35,405	16,950	55,239
At 31 December 2005	476	5,682	48,628	36,560	91,346
Net Book Value					
At 31 December 2005	2,318	26,739	76,549	5,881	111,487
At 31 December 2004	843	6,410	16,652	4,745	28,650
Details at 1 January 2004					
Cost	1,022	7,699	3,657	28,769	41,147
Accumulated depreciation	162	1,300	1,210	21,436	24,108
Depreciation charge for 2004	17	401	1,410	3,969	5,797

12. PROPERTY, PLANT AND EQUIPMENT (CONTD)

* Others	Furniture, fittings and office equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
COMPANY				
Cost				
At 1 January 2005	17,667	372	4,257	22,296
Additions	904	10	181	1,095
Disposals	-	-	(1,303)	(1,303)
Transfer from a subsidiary	15,649	2,424	2,280	20,353
At 31 December 2005	<u>34,220</u>	<u>2,806</u>	<u>5,415</u>	<u>42,441</u>
Accumulated depreciation and impairment losses				
At 1 January 2005	14,150	98	3,303	17,551
Charge for the year	2,452	48	423	2,923
Disposals	-	-	(864)	(864)
Transfer from a subsidiary	14,645	190	2,115	16,950
At 31 December 2005	<u>31,247</u>	<u>336</u>	<u>4,977</u>	<u>36,560</u>
Net Book Value				
At 31 December 2005	<u>2,973</u>	<u>2,470</u>	<u>438</u>	<u>5,881</u>
At 31 December 2004	<u>3,517</u>	<u>274</u>	<u>954</u>	<u>4,745</u>
Details at 1 January 2004				
Cost	21,772	364	6,633	28,769
Accumulated depreciation	<u>16,566</u>	<u>65</u>	<u>4,805</u>	<u>21,436</u>
Depreciation charge for 2004	<u>3,085</u>	<u>27</u>	<u>857</u>	<u>3,969</u>

12. PROPERTY, PLANT AND EQUIPMENT (CONTD)

- (a) During the year, the Group acquired property, plant and equipment with an aggregate cost of approximately RM24,330,000 (2004: RM13,808,000) of which RM7,102,000 (2004: RM7,458,000) were acquired by means of hire purchase and finance lease arrangements.

Net book values of property, plant and equipment of the Group held under hire purchase and finance lease arrangements are as follows:

	Group	
	2005 RM'000	2004 RM'000
Motor vehicles	1,331	2,673
Office equipment	28	32
Forklift	343	37
Plant and machinery	15,397	9,844
	17,099	12,586

The Company acquired property, plant and equipment entirely by cash in the current and previous financial years.

- (b) The net book values of property, plant and equipment of the Group pledged to financial institutions for bank borrowings as referred to in Note 23 are as follows:

	Group	
	2005 RM'000	2004 RM'000
Freehold land	5,067	5,079
Leasehold land	-	659
Buildings and infrastructure	10,581	7,977
Plant and machinery	15,980	10,323
	31,628	24,038

- (c) During the year, the Group and the Company had written off obsolete property, plant and equipment at net book value of RM159,000 (2004: RM19,896,000) and RMNil (2004: RM7,707,000) respectively.

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2005 RM'000	2004 RM'000
Unquoted shares, at cost	391,492	391,883
Less: Accumulated impairment losses	(73,660)	(69,089)
	317,832	322,794

Details of the subsidiaries are shown in Note 35(a).

- (a) On 20 April 2005, the Group disposed of its 100% equity interest in Societe BERNAS de Guinee ("Sobergui"), a company incorporated in the Republic of Guinea, for a total cash consideration of GNF150,000,000 or RM144,304.

The disposal had the following effect on the Group's financial results for the year:

	2005 RM'000
Revenue	1,140
Profit from operations	(207)
Net profit for the year	(207)

The disposal had the following effect on the financial position of the Group as at the end of the year:

	2005 RM'000
Property, plant and equipment	1,063
Inventories	101
Receivables	286
Cash and bank balances	240
Payables	(593)
Net assets disposed	1,097
Total disposal proceeds	(144)
Loss on disposal to the Group	953
Disposal proceeds settled by:	
Cash	144
Cash inflow arising on disposal of a subsidiary:	
Cash consideration, representing cash inflow of the Group	144
Less: Cash and cash equivalents of the subsidiary disposed	(240)
Net cash outflow of the Group	(96)

13. INVESTMENT IN SUBSIDIARIES (CONTD)

The disposal of the subsidiary had the following effect on the financial results of the Company as at the end of the year:

	2005 RM '000
Total disposal proceeds	144
Less: Cost of investment in the subsidiary	(152)
Loss on disposal of the subsidiary	<u>(8)</u>

- (b) On 6 April 2005, the Company disposed of its 51% equity interest in Jasmine Rice Mill (Tunjang) Sdn Bhd to Jasmine Food Corporation Sdn Bhd, a 51% owned subsidiary of the Company, satisfied via the issuance of 5,237,305 new shares in Jasmine Food Corporation Sdn. Bhd. at a nominal value of RM1.00 each.

The disposal of the subsidiary had the following effect on the financial results of the Company as at the end of the year:

	2005 RM '000
Disposal proceeds	5,823
Less: Cost of investment in the subsidiary	(6,561)
Loss on disposal of the subsidiary	<u>(738)</u>

14. INVESTMENT IN ASSOCIATES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
In Malaysia:				
Unquoted shares, at cost	100,593	74,016	94,994	69,994
Share of post-acquisition reserves	42,642	38,376	-	-
Less: Accumulated impairment losses	(2,300)	(2,300)	(2,300)	(2,300)
	<u>140,935</u>	<u>110,092</u>	<u>92,694</u>	<u>67,694</u>
Outside Malaysia:				
Unquoted shares, at cost	3,011	3,011	-	-
Share of post-acquisition reserves	3,570	3,440	-	-
	<u>6,581</u>	<u>6,451</u>	<u>-</u>	<u>-</u>
	<u>147,516</u>	<u>116,543</u>	<u>92,694</u>	<u>67,694</u>

14. INVESTMENT IN ASSOCIATES (CONTD)

	Group	
	2005 RM'000	2004 RM'000
Represented by:		
Share of net assets	167,234	16,543
Reserve on acquisition	(19,719)	-
	<u>147,515</u>	<u>116,543</u>

Details of the associates, are shown in Note 35(b).

- (a) On 5 January 2005, the Company acquired 45% equity interest in United Malayan Flour (1996) Sdn Bhd, a company incorporated in Malaysia, for a total cash consideration of RM25,000,000.
- (b) On 30 August 2005, a wholly-owned subsidiary of the Company, Beras Corporation Sdn Bhd acquired 30% equity interest in Liansin Trading Sdn Bhd, a company incorporated in Malaysia, for a total cash consideration of RM1,577,279.

15. OTHER INVESTMENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unquoted shares, at cost	6,450	6,450	6,000	6,000
Quoted shares in Malaysia, at cost	23	23	-	-
Golf club membership	29	29	-	-
	<u>6,502</u>	<u>6,502</u>	<u>6,000</u>	<u>6,000</u>
Less: Accumulated impairment losses	(450)	(150)	-	-
	<u>6,052</u>	<u>6,352</u>	<u>6,000</u>	<u>6,000</u>
Market value of quoted shares	<u>23</u>	<u>23</u>		

16. INTANGIBLE ASSETS

	Group	
	2005 RM'000	2004 RM'000
Goodwill on consolidation		
At 1 January	-	8,194
Less: Amortisation for the year	-	(1,473)
Less: Written off	-	(6,721)
At 31 December	<u>-</u>	<u>-</u>
Trademarks		
At 1 January	189	239
Less: Amortisation for the year	(50)	(50)
At 31 December	<u>139</u>	<u>189</u>
Total	<u>139</u>	<u>189</u>

17. DEFERRED TAXATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At 1 January	24,726	18,296	28,670	23,065
Disposal of a subsidiary	-	1,130	-	-
Recognised in the income statement (Note 9)	2,971	5,300	15,707	5,605
At 31 December	27,697	24,726	44,377	28,670
Presented after appropriate offsetting as follows:				
Deferred tax assets	55,782	57,304	48,133	31,047
Deferred tax liabilities	(28,085)	(32,578)	(3,756)	(2,377)
	27,697	24,726	44,377	28,670

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred Tax Assets of the Group:

	Retirement Benefit Obligations RM'000	Provision for Doubtful Debts RM'000	Tax Losses and Unabsorbed Capital Allowances	Others RM'000	Total RM'000
			RM'000		
At 1 January 2005	8,642	3,414	18,222	27,026	57,304
Recognised in the income statement	1,165	4,706	(17,998)	10,605	(1,522)
At 31 December 2005	9,807	8,120	224	37,631	55,782
At 1 January 2004	9,636	3,393	35,529	8,172	56,730
Recognised in the income statement	(994)	21	(17,307)	19,122	842
Disposal of a subsidiary	-	-	-	(268)	(268)
At 31 December 2004	8,642	3,414	18,222	27,026	57,304

17. DEFERRED TAXATION (CONTD)

Deferred Tax Liabilities of the Group:

	Accelerated Capital Allowances	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2005	(28,444)	(4,134)	(32,578)
Recognised in the income statement	3,921	572	4,493
At 31 December 2005	<u>(24,523)</u>	<u>(3,562)</u>	<u>(28,085)</u>
At 1 January 2004	(34,597)	(3,837)	(38,434)
Recognised in the income statement	4,755	(297)	4,458
Disposal of a subsidiary	1,398	-	1,398
At 31 December 2004	<u>(28,444)</u>	<u>(4,134)</u>	<u>(32,578)</u>

Deferred Tax Assets of the Company:

	Retirement Benefit Obligations	Provision for Doubtful Debts	Tax Losses and Unabsorbed Capital Allowances	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2005	7,694	3,226	-	20,127	31,047
Recognised in the income statement	1,069	4,617	-	11,400	17,086
At 31 December 2005	<u>8,763</u>	<u>7,843</u>	<u>-</u>	<u>31,527</u>	<u>48,133</u>
At 1 January 2004	4,747	3,226	16,389	1,017	25,379
Recognised in the income statement	2,947	-	(16,389)	19,110	5,668
At 31 December 2004	<u>7,694</u>	<u>3,226</u>	<u>-</u>	<u>20,127</u>	<u>31,047</u>

Deferred Tax Liabilities of the Company:

	Accelerated Capital Allowances
	RM'000
At 1 January 2005	(2,377)
Recognised in the income statement	(1,379)
At 31 December 2005	<u>(3,756)</u>
At 1 January 2004	(2,314)
Recognised in the income statement	(63)
At 31 December 2004	<u>(2,377)</u>

17. DEFERRED TAXATION (CONTD)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2005 RM'000	2004 RM'000
Unutilised tax losses	37,734	12,123
Unabsorbed capital allowances	22,747	5,127
Unused reinvestment allowances	-	820
Retirement benefits obligations	9,573	7,141
Provision for doubtful debts	825	578
	70,879	25,789

The available unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the subsidiaries are subject to no substantial changes in the shareholdings of the subsidiaries under Section 44(5A) & (5B) of Income Tax Act, 1967. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group and they may have arisen in subsidiaries that have a recent history of losses.

18. INVENTORIES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At cost:				
Paddy and rice	283,865	161,070	145,615	69,544
Spares and consumables	12,373	8,497	169	564
Raw materials	4,895	11,916	-	-
Finished goods	2,136	9,370	-	-
	303,269	190,853	145,784	70,108
At net realisable value:				
Paddy and rice	13,850	20,751	13,850	20,406
	317,119	211,604	159,634	90,514

19. TRADE RECEIVABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Due from associates	113,700	73,873	105,861	73,873
Due from subsidiaries	-	-	207,040	173,466
Other trade receivables	239,509	238,944	57,522	67,060
	<u>353,209</u>	<u>312,817</u>	<u>370,423</u>	<u>314,399</u>
Less: Provision for doubtful debts	(55,269)	(69,331)	(44,291)	(65,628)
	<u>297,940</u>	<u>243,486</u>	<u>326,132</u>	<u>248,771</u>

Included in other trade receivables of the Group is an amount of RM1,702,000 (2004: RM1,328,000) due from Recent Giant Sdn Bhd, a company in which Yew Chye Seng, Ong Chye Eng and Yew Poe Hoe, directors of YHL Holding Sdn Bhd have substantial financial interest.

The amounts due from subsidiaries and associates are unsecured, interest-free and are receivable in accordance with the normal credit terms granted to customers.

The Group's and Company's credit terms range from 45 to 60 days and 30 to 90 days respectively. Other credit terms are assessed and approved on a case-by-case basis.

The Group and Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors, other than the amounts due from subsidiaries and associates as stated above.

20. OTHER RECEIVABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Due from subsidiaries	-	-	57,915	168,438
Due from associates	20,096	10,272	17,441	7,809
Advances to farmers	10,284	3,144	9,118	3,144
Lease prepayments (Note (a))	1,507	-	1,507	-
Payment on account of investment (Note (b))	14,757	-	14,757	-
Outstanding proceeds from disposal of subsidiaries	1,029	1,779	1,029	1,779
Insurance claims recoverable	5,021	4,534	5,021	4,534
Sundry receivables (Note (c))	25,250	32,568	7,657	10,690
	<u>77,944</u>	<u>52,297</u>	<u>114,445</u>	<u>196,394</u>
Less: Provision for doubtful debts	(17,792)	(18,843)	(28,009)	(50,286)
	<u>60,152</u>	<u>33,454</u>	<u>86,436</u>	<u>146,108</u>

20. OTHER RECEIVABLES (CONTD)

The amounts due from subsidiaries and associates are unsecured, interest-free and have no fixed terms of repayment.

The Group and Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors, other than the amounts due from subsidiaries and associates as stated above.

- (a) Lease prepayments of the Group and of the Company relate to an amount of RM25,623,188 (2004: RMNil) in respect of a Sub-Lease Agreement with Johor Port Berhad for a parcel of land together with its buildings, for a term of 17 years, 2 months and 26 days commencing from 6 October 2005. The amounts recognised in the balance sheet in respect of these lease prepayments are determined as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Present value of prepayment	25,623	-	25,623	-
Analysed as:				
Current:	1,507	-	1,507	-
Non-current:				
Later than 1 year but not later than 2 years	3,014	-	3,014	-
Later than 2 years but not later than 5 years	4,521	-	4,521	-
Later than 5 years	16,581	-	16,581	-
	24,116	-	24,116	-
	25,623	-	25,623	-

- (b) The payment on account of investment of the Group and of the Company relates to the payment made on 30 December 2005 for the acquisition of the remaining 50% equity interest in Consolidated Bernas United Distributors Sdn Bhd for a total cash consideration of RM16,250,000, less the disposal of 20% equity interest held in Edaran Bernas Nasional Sdn Bhd (formerly known as Edaran Logistik Nasional Sdn Bhd) for a total cash consideration of RM1,493,431, as disclosed in Note 34(f). The acquisition and disposal were completed on 1 January 2006.

- (c) Included in sundry receivables of the Group is an amount of RM5,108,400 (2004: RM5,108,400) being rental deposits paid to Yew Poe Hai and Yew Chor Kooi; where the former is an alternate director of YHL Holding Sdn Bhd, a subsidiary and the latter is connected by virtue of his family relationship with certain directors of YHL Holding Sdn Bhd.

21. SHORT TERM DEPOSITS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits with:				
Licensed banks	44,804	168,155	18,500	140,555
Other financial institutions	99,000	34,830	98,000	32,830
	143,804	202,985	116,500	173,385

21. SHORT TERM DEPOSITS (CONTD)

- (a) Deposits with licensed banks of the Group have been pledged to the banks for the following facilities:

	Group	
	2005	2004
	RM'000	RM'000
Credit facility granted to certain subsidiaries as referred to in Note 23	309	3,207

- (b) The range of interest rates for deposits per annum during the financial year were as follows:

	Group		Company	
	2005	2004	2005	2004
	%	%	%	%
Licensed banks	2.6 - 3.0	2.6 - 4.9	2.6 - 2.9	2.6 - 2.7
Other financial institutions	2.7 - 3.0	2.6 - 3.0	2.6 - 3.0	2.6 - 2.7

- (c) The average maturity of deposits at the end of the financial year were as follows:

	Group		Company	
	2005	2004	2005	2004
	Days	Days	Days	Days
Licensed banks	30	30	14	10
Other financial institutions	30	10	28	15

- (d) Other financial institutions are licensed finance companies and merchant banks in Malaysia and other foreign banks.

22. RETIREMENT BENEFIT OBLIGATIONS

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees.

The amounts recognised in the balance sheet are determined as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Present value of unfunded defined benefit obligations	44,597	39,057	31,296	27,478
Analysed as:				
Current:	1,805	1,800	1,278	1,303
Non-current:				
Later than 1 year but not later than 2 years	1,146	1,805	479	1,278
Later than 2 years but not later than 5 years	12,197	7,263	7,328	4,321
Later than 5 years	29,449	28,189	22,211	20,576
	42,792	37,257	30,018	26,175
	44,597	39,057	31,296	27,478

The amounts recognised in the income statement are as follows

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current service cost	4,733	4,225	3,289	2,979
Interest cost	2,608	2,291	1,832	1,634
Total, included in staff costs (Note 6)	7,341	6,516	5,121	4,613

Movements in the net liability in the current year were as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At 1 January	39,057	34,416	27,478	16,953
Recognised in income statement (Note 6)	7,341	6,516	5,121	4,613
Transfer from subsidiaries	-	-	-	7,531
Contributions paid	(1,801)	(1,875)	(1,303)	(1,619)
At 31 December	44,597	39,057	31,296	27,478

22. RETIREMENT BENEFIT OBLIGATIONS (CONTD)

Principal actuarial assumptions used:

	2005	2004
	%	%
Discount rate	7.0	7.0
Expected rate of salary increases	5.0	5.0

23. BORROWINGS

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Short term borrowings				
Secured:				
Bank overdrafts	6,255	7,963	-	-
Term loans	14,212	1,620	-	-
Hire purchase and finance lease payables (Note 24)	4,116	3,763	-	-
	<u>24,583</u>	<u>13,346</u>	-	-
Unsecured:				
Bank overdrafts	-	189	-	-
Bankers' acceptances	238,786	225,150	152,455	127,759
	<u>238,786</u>	<u>225,339</u>	<u>152,455</u>	<u>127,759</u>
	<u>263,369</u>	<u>238,685</u>	<u>152,455</u>	<u>127,759</u>
Long term borrowings				
Secured:				
Term loans	5,110	5,313	-	-
Hire purchase and finance lease payables (Note 24)	5,317	4,188	-	-
	<u>10,427</u>	<u>9,501</u>	-	-
Total borrowings				
Bank overdrafts	6,255	8,152	-	-
Bankers' acceptances	238,786	225,150	152,455	127,759
Term loans	19,322	6,933	-	-
Hire purchase and finance lease payables (Note 24)	9,433	7,951	-	-
	<u>273,796</u>	<u>248,186</u>	<u>152,455</u>	<u>127,759</u>

23. BORROWINGS (CONTD)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Maturity of borrowings (excluding hire purchase and finance lease payables):				
Within one year	259,253	234,922	152,455	127,759
More than 1 year and less than 2 years	2,000	1,670	-	-
More than 2 years and less than 5 years	3,110	2,769	-	-
5 years or more	-	874	-	-
	<u>264,363</u>	<u>240,235</u>	<u>152,455</u>	<u>127,759</u>

The ranges of interest rates per annum during the financial year for the above borrowings, excluding hire purchase and finance lease payables are as follows:

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
Bank overdrafts	6.9 - 7.3	6.9 - 7.5	-	-
Bankers' acceptances	2.8 - 3.6	2.8 - 5.2	2.9 - 3.5	3.1 - 3.4
Term loans	<u>2.3 - 7.5</u>	<u>2.3 - 7.7</u>	-	-

The secured borrowings are secured by a corporate guarantee from the Company and by certain assets of the Group as disclosed in Note 12 and Note 21.

24. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	Group	
	2005 RM'000	2004 RM'000

Minimum hire purchase and lease payments:

Not later than 1 year	4,523	4,243
Later than 1 year and not later than 2 years	2,935	3,336
Later than 2 years and not later than 5 years	3,140	1,185
	<u>10,598</u>	<u>8,764</u>
Less: Future finance charges	(1,165)	(813)
Present value of hire purchase and finance lease liabilities	<u>9,433</u>	<u>7,951</u>

24. HIRE PURCHASE AND FINANCE LEASE PAYABLES (CONTD)

	Group	
	2005 RM'000	2004 RM'000
Present value of hire purchase and finance lease liabilities:		
Not later than 1 year	4,116	3,763
Later than 1 year and not later than 2 years	2,419	3,072
Later than 2 years and not later than 5 years	2,898	1,116
	9,433	7,951
Analysed as (Note 23):		
Due within 12 months	4,116	3,763
Due after 12 months	5,317	4,188
	9,433	7,951

The hire purchase and finance lease liabilities bear interest at rates ranging from 3.40% to 11.67% (2004: 3.41% to 11.67%) per annum.

25. TRADE PAYABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Due to associates	10,305	2,394	9,814	2,394
Other trade payables	22,644	21,257	5,636	5,473
	32,949	23,651	15,450	7,867

Included in other trade payables of the Group is an amount of RM368,674 (2004: RM2,728,621) due to Fragstar Corporation Sdn Bhd ("FCSB"), Recent Giant Sdn Bhd, Sin Hock Soon Transport Sdn Bhd and Yeo Transport Sdn Bhd, companies in which certain directors of a subsidiary, YHL Holding Sdn Bhd, are connected by virtue of their family relationships with the directors of FCSB.

The amounts due to subsidiaries and associates are unsecured, interest free and are payable in accordance with normal credit terms granted by creditors.

The normal credit terms granted to the Group and the Company range from 7 to 60 days and 7 to 30 days respectively.

26. OTHER PAYABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Due to subsidiaries	-	-	298,290	297,116
Due to associates	409	3,745	2	3,745
Due to corporate shareholder of related company	1,384	1,384	-	-
Other accruals and sundry payables	94,073	98,639	79,844	83,756
	95,866	103,768	378,136	384,617

The amounts due to subsidiaries and associates are unsecured, interest-free and have no fixed terms of repayment.

27. SHARE CAPITAL

	Number of Shares of RM1.00 Each		Amount	
	2005	2004	2005 RM	2004 RM
Authorised:				
At 1 January				
Special Rights Redeemable Preference Share ("Special Share") of RM1.00	1	1	1	1
Ordinary shares of RM1.00 each	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
At 31 December	<u>1,000,000,001</u>	<u>1,000,000,001</u>	<u>1,000,000,001</u>	<u>1,000,000,001</u>
Issued and fully paid:				
At 1 January				
Special Share of RM1.00 (note a)	1	1	1	1
Ordinary shares of RM1.00 each	463,360,500	444,253,000	463,360,500	444,253,000
	<u>463,360,501</u>	<u>444,253,001</u>	<u>463,360,501</u>	<u>444,253,001</u>
Issued during year:				
Exercise of ESOS (note b)	7,041,000	19,107,500	7,041,000	19,107,500
At 31 December	<u>470,401,501</u>	<u>463,360,501</u>	<u>470,401,501</u>	<u>463,360,501</u>

(a) The main features of the Special Share are as follows:

- (i) The Special Share may only be held by or transferred to the Minister of Finance (Incorporated) or its successor or any Minister, representatives or any person acting on behalf of the Government of Malaysia.
- (ii) The Special Shareholder has the right to receive notice of, and to attend and speak at, all general meetings or any other meeting of any class of shareholders of the Company, but the Special Share shall carry no right to vote nor any other rights at any such meeting.
- (iii) The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time by serving written notice upon the Company and delivering the relevant share certificate.
- (iv) Certain matters which vary the rights attached to the Special Share can only be effective with the consent in writing of the Special Shareholder, in particular matters relating to the amendment or removal or alteration of the effect of the Special Share, the creation and issue of additional shares which carry different voting rights, the dissolution of the Company, substantial disposal of assets, amalgamation, merger and take over.
- (v) The Special Shareholder has the right to review all policies, programmes, projects and commercial activities undertaken or proposed to be undertaken by the Company, the right to veto any resolution proposed to be passed by the Board of Directors or the shareholders of the Company if the Government considers that it is necessary to do so in the national interest and security of Malaysia.
- (vi) The Special Shareholder has the right to veto any resolution proposed to be passed by the Board of Directors and/or the shareholders of the Company purporting to amend the provisions of the Memorandum and Articles of Association of the Company which affects the rights or any matter relating to the Special Share or the rights attaching to the Special Share.

27. SHARE CAPITAL (CONTD)

(b) During the financial year, the Company increased its issued and paid-up share capital from RM463,360,501 to RM470,401,501 by way of the issuance of 7,041,000 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Options Scheme at exercise price of RM1.17 per ordinary share.

(c) Employees' Share Option Scheme ("ESOS")

The ESOS expired during the financial year on 15 September 2005. At the end of the previous year, the number of shares under option which remains unexercised were 10,627,000.

28. NON-DISTRIBUTABLE RESERVES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
(a) Capital reserve				
At 1 January	2,864	614	600	600
Transfer from Capital Redemption Reserve	-	9,000	-	-
Realisation of reserve upon disposal of a subsidiary	-	(6,750)	-	-
At 31 December	2,864	2,864	600	600
(b) Stockpile fluctuation reserve				
At 1 January	4,642	14,489	7,879	9,270
Transfer from subsidiary	-	-	-	1,920
Transfer from/(to) Government Stockpile	6,651	(9,847)	849	(3,311)
At 31 December	11,293	4,642	8,728	7,879
(c) Capital redemption reserve				
At 1 January	12,520	21,520	7,370	7,370
Transfer to Capital Reserve	-	(9,000)	-	-
At 31 December	12,520	12,520	7,370	7,370
(d) Revaluation reserve				
At 1 January	-	-	-	-
Arising during the year	559	-	-	-
At 31 December	559	-	-	-

28. NON-DISTRIBUTABLE RESERVES (CONTD)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
(e) Reserve on consolidation				
At 1 January	-	-	-	-
Arising during the year	34	-	-	-
At 31 December	34	-	-	-
(f) Foreign exchange reserve				
At 1 January	-	736	-	-
Arising during the year	81	(736)	-	-
At 31 December	81	-	-	-
(g) Share premium				
At 1 January	5,888	2,639	5,888	2,639
Arising from the exercise of ESOS	1,197	3,249	1,197	3,249
At 31 December	7,085	5,888	7,085	5,888
Total	34,436	25,914	23,783	21,737

29. RETAINED PROFITS

As at 31 December 2005, the Company has tax exempt profits available for distribution of approximately RM70,810,854 (2004:RM83,246,000), subject to agreement of the Inland Revenue Board.

The Company has sufficient balance in the tax exempt account and tax credit under Section 108 of the Income Tax Act, 1967 and balance in the tax exempt account to frank the payment of dividends out of its entire retained profits as at 31 December 2005.

30. PADDY PRICE SUBSIDY ACCOUNT

The Company is vested with the responsibility to administer the Government's Paddy Price Subsidy Scheme. The movement of the paddy price subsidy account which represents the paddy price subsidy to be distributed to the registered paddy farmers on behalf of the Government are as follows:

	Company	
	2005 RM'000	2004 RM'000
At 1 January	58,109	84,727
Add: Government subsidy funds received	448,000	448,000
Interest income	1,453	2,010
Less: Payments made during the year	(443,218)	(476,628)
At 31 December	64,344	58,109

The amounts were not included in the assets and liabilities of the Group.

Pursuant to the Corporatisation Agreement dated 12 January 1996, the Government shall deposit the subsidy fund into such bank accounts of licensed banks or financial institutions and operated by the Group for the sole purpose of disbursements of subsidies. The unutilised portion of the funds under the Paddy Price Subsidy Scheme given by the Government is to be placed into such fixed deposit accounts with such licensed banks or financial institutions approved by the Government.

31. COMMITMENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Capital expenditure:				
Approved and contracted for:				
Property, plant and equipment	5,777	6,606	-	-
Investments	8,000	33,155	8,000	33,000
	13,777	39,761	8,000	33,000
Approved but not contracted for:				
Property, plant and equipment	38,543	47,849	-	-
Investments	500	2,000	-	-
	39,043	49,849	-	-
	52,820	89,610	8,000	33,000

32. CONTINGENT LIABILITIES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unsecured				
Corporate guarantee for bank facilities of certain subsidiaries	-	-	89,120	89,120
Corporate guarantee for bank facilities of associates				
- Bernas Feedstuff Sdn Bhd	3,400	3,400	3,400	3,400
- Serba Wangi Sdn Bhd	30,000	30,000	30,000	30,000
- Keongco (M) Sdn Bhd	2,000	2,000	2,000	2,000

- (a) On 12 November 2003, Malimex Company Ltd ("Malimex"), a company incorporated in Cambodia had served a statement of case dated 7 November 2003, under the rules of the Singapore International Arbitration Centre, to the Company's solicitors in Singapore.

The arbitration is in respect of a dispute arising from a Supply and Procurement Agreement dated 23 July 2001 entered into between the Company and Malimex. In the said Arbitration proceeding, Malimex has claimed damages to the amount of USD4,710,395 which is equivalent to RM17,899,501. On 12 December 2003, the Company lodged its defence to the claim and the counter claim to the amount of USD11,900,950 which is equivalent to RM45,233,610.

On 17 July 2004, the Arbitral Tribunal heard the parties application as follows:

- (i) Malimex's application to withdraw/discontinue the arbitration;
- (ii) The Company's application to dismiss/stay the Malimex's claim; and
- (iii) The Company's application for security for costs.

On 10 and 13 August 2004, the Arbitral Tribunal heard the Company's counterclaim against Malimex. Pursuant to the said hearing, the Tribunal has directed the Company and Malimex to submit their respective Closing Written Submission to the Arbitral Tribunal by 7 December 2004 which was then extended to 7 January 2005.

On 7 January 2005, the Company submitted its Closing Written Submission to the Arbitral Tribunal for their final decision.

On 31 August 2005, the Arbitral Tribunal had declared inter-alia:

- (i) that the Supply and Procurement Agreement ("SPA") is void for uncertainty under Section 30 of the Contracts Act, 1950;
- (ii) BERNAS is relieved from performing the SPA under Section 38 (1) of the Contracts Act, 1950; and
- (iii) Malimex pay the Company its legal costs, expenses and disbursements in respect of the Company's claims and all interlocutory applications in the Arbitration.

The Arbitral Tribunal also declared that the Award is final in respect of all issues of liability and costs, fees and other expenses in the Arbitration.

32. CONTINGENT LIABILITIES (CONTD)

- (b) On 9 December 2004, the Company has been named First Respondent in Section 181 Petition dated 26 November 2004 ("the Petition") issued by Konsortium Pemborong Beras Melayu (Kelantan) Sdn Bhd ("KBK").

The Petition is seeking, inter alia, the following relief:

- (i) A declaration that the Company is conducting itself and the affairs of Second Respondent, namely Formula Timur Sdn Bhd, a 40%-owned associate of the Company, in a manner that is oppressive, discriminatory and prejudicial to the Petitioner and/or in disregard to the interests of the Petitioner;
- (ii) A declaration that the Company's action in stopping the supply of rice to the Second Respondent and instead appointing Consolidated Bernas United Distributor Sdn Bhd, a 50%-owned subsidiary of the Company, as its "marketing arm" is contrary to the provisions of the Joint Venture Agreement; and
- (iii) Damages in the sum of RM32 million and further damages for future loss of business and earnings.

On 6 January 2005, the Company submitted an application to strike out the Petition. On 21 July 2005, the High Court of Malaya allowed the Company's application. On 15 August 2005, KBK had filed an appeal against the decision of the High Court of Malaya.

On 7 November 2005, the Petitioner had served Notice on Withdrawal of Appeal dated 22 October 2005 to the Company.

- (c) On 25 November 2005, the Company has been served with a Writ and a Statement of Claim dated 14 October 2005 by KBK and named as the First Defendant.

KBK is seeking, the following:

- (i) A declaration that the Company violated the terms of the Joint Venture Agreement ('JVA') by not complying with its duties and obligations as a member/partner of Formula Timur Sdn Bhd ("the Joint Venture Company");
- (ii) A declaration that the Company's action in stopping the supply of rice to the Joint Venture Company is contrary to the provisions of the JVA, was wrongful and invalid;
- (iii) A declaration that the Company by commission or omission committed a fraud upon the minority shareholders of the Joint Venture Company and/or abuse of power;
- (iv) General damages of RM112 million to be paid by the Company to the Joint Venture Company;
- (v) Rebate of RM760,000;
- (vi) Interest under Section 11 of the Civil Law Act, 1965 and in equity on the damages at 8% per annum from August 2003 till payment; and
- (vii) Injunction and Costs and other reliefs as the Honourable Court deem just.

On consultation with the Company's solicitors, the Board of Directors are of the opinion that there are no strong basis for the above claims and the Company has filed for defence accordingly.

On 27 March 2006, the Company has been served with a sealed copy of a Summons in Chambers dated 3 March 2006 by KBK named as the Plaintiff for an interlocutory injunction, inter alia, the followings :

- (i) Restrain the Company from selling, hiring and supplying rice to any third party or allowing any activities may compete with the business of the Plaintiff; and
- (ii) Instruct the Company to resume selling, hiring and supplying rice to the Plaintiff.

The application for the interlocutory injunction was fixed for hearing on 13 April 2006, which was then postponed to 16 August 2006 and the Pre-Trial Case Management was fixed on 22 May 2006. The Company has instructed its solicitors to set aside the said injunction application.

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2005 RM'000	2004 RM'000
(a) Purchases from and services rendered by subsidiaries	61,727	197,457
(b) Sales to subsidiaries	1,166,619	1,116,130
(c) Sales to associates		
- Bernas Feedstuff Sdn Bhd	29,688	26,053
- Serba Wangi Sdn Bhd and its subsidiaries	214,474	248,522
- OEL Realty Holdings Sdn Bhd and its subsidiaries	102,031	87,860
(d) Purchases from associates		
- Irfan Noman Bernas (Pvt) Limited	218	38,852
- Asian Peninsula Corporation Ltd	7,561	376,250

	Group	
	2005 RM'000	2004 RM'000
(e) Transactions with subsidiaries' director related companies and other related parties		
(i) Syarikat Faiza Group ("SFSB")		
Purchases from Faiza Marketing Sdn Bhd, an enterprise in which directors (namely Faiza Bawumi Bt Syed Ahmad and Najwa Bt Abu Bakar) have interest	323	378
Sales to Pasar Mini Enterprise, an enterprise in which certain directors (namely Faiza Bawumi Bt Syed Ahmad and Najwa Bt Abu Bakar) have interest	323	298
(ii) Jasmine Food Corporation Sdn Bhd Group ("JFC")		
Purchases from Jasmine Rice Mill (Kerpan) Sdn Bhd, a company in which a director of JFC, Lim Kiam Lai @ Lim Kean Lai is a substantial shareholder	3,450	3,436

33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD)

		Group	
		2005	2004
		RM'000	RM'000
(ii)	Jasmine Food Corporation Sdn Bhd Group ("JFC") (Contd)		
	Sales to Joo Seng Enterprise, an entity in which directors of JS Jasmine Sdn Bhd, Tee Sin Joo and Tee Sin Kong have substantial financial interest	1,900	2,712
	Rental of premises paid to Asian Net Sdn Bhd, a company in which the directors of JFC and its subsidiaries have substantial financial interest	841	841
	Sales to Joo Seng Hup Kee, an entity in which a director of JS Jasmine Sdn Bhd, Tee Sin Joo has a substantial financial interest	648	961
	Sales to Aroma Beras Edar, an entity in which directors of JS Jasmine Sdn Bhd, Tee Sin Joo and Tee Sin Kong, have substantial financial interest	348	489
	Transport charges paid Joo Seng Edar Sdn Bhd, a corporate shareholder of JS Jasmine Sdn Bhd and a company in which Tee Sin Joo and Tee Sin Kong, directors of JS Jasmine Sdn Bhd have substantial financial interests	298	298
	Rental of office and warehouse paid to Joo Seng Edar Sdn Bhd, a corporate shareholder of JS Jasmine Sdn Bhd and a company in which Tee Sin Joo and Tee Sin Kong, directors of JS Jasmine Sdn Bhd have substantial financial interests	300	300
	Purchase from Chop Joo Seng, a company in which Tee Sin Joo and Tee Sin Kong, directors of JS Jasmine Sdn Bhd have substantial financial interests	785	868
	Transport charges paid to Nagoya Agency, an entity owned by a person connected to certain directors and shareholders of Jasmine Rice Mill (Tunjang) Sdn Bhd and Jasmine Rice Products Sdn Bhd	2,597	2,385

33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD)

		Group	
		2005	2004
		RM'000	RM'000
(iii)	Consolidated Bernas United Distributors Sdn Bhd ("CBUD")		
	Sales to Yeoang Trading, a company in which an alternate director of CBUD, Yeo Sa Kaw has substantial financial interest	-	52
	Sales to Rostaha Sdn Bhd, a company in which an alternate director of CBUD, Yeo Sa Kaw has substantial financial interest	-	1,059
	Sales to United Rice Wholesalers Enterprise Sdn Bhd ("URWE"), a company in which certain directors of CBUD namely Lim Eng Tat, Chew Keng Kuang and Ng Chin @ Ng Chee Len have financial interest	-	450
(iv)	YHL Holding Sdn Bhd Group ("YHLH")		
	Sales to Recent Giant Sdn Bhd ("RGSB"), a company in which certain directors of YHLH are connected by virtue of their family relationships with the directors of RGSB	4,623	4,283
	Transport charges paid to Sin Hock Soon Transport Sdn Bhd ("SHST"), a company in which certain directors of YHLH are connected by virtue of their family relationships with the directors of SHST	1,949	2,646
	Rental of premises paid to Southern Edipro Packaging Sdn Bhd ("SEPSB"), a company in which certain directors of YHLH are connected by virtue of their family relationships with the directors of SEPSB	1,452	1,452
	Upkeep and maintenance charges paid to SHS Engineering Sdn Bhd ("SHSE"), a company in which certain directors of YHLH are connected by virtue of their family relationships with the directors of SHSE	-	391

33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD)

	Group	
	2005 RM'000	2004 RM'000
(iv) YHL Holding Sdn Bhd Group ("YHLH") (Contd)		
Rental of premises paid to Yew Chye Seng Holdings Sdn Bhd ("YCSH"), a company in which certain directors of YHLH are connected by virtue of their family relationship with the directors of YCSH	316	542
Rental of premises paid to Yew Chye Seng, a director of YHLH	374	374
Rental of central processing plant paid to Yew Poe Hai and Yew Chor Kooi; the former is an alternate director in YHLH and the latter is connected by virtue of his family relationship with certain directors of YHLH	720	1,440
Rental of premises paid to Eternal Promenade Sdn Bhd ("EPSB"), a company in which certain directors of YHLH are connected by virtue of their family relationships with the directors of EPSB	1,811	1,896
Hire of motor vehicles paid to Dayangbina Engineering Sdn Bhd ("DESB"), a company in which certain directors of YHLH are connected by virtue of their family relationships with the directors of DESB	851	1,717
Purchases of packing material from Fragstar Corporation Sdn Bhd ("FCSB"), a company in which certain directors of YHLH are connected by virtue of their family relationships with the directors of FCSB	3,223	5,774
Transport charges paid to Yeo Transport Sdn Bhd ("YTSB"), a company in which certain director YHLH are connected by virtue of their family relationships with the directors of YTSB	296	218
Rental expense paid to Sin Hock Soon Trading Sdn Bhd, a company in which certain directors of the Company, namely Yew Poh Chong and Yew Poh Aik have substantial financial interest	293	299

33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD)

		Group	
		2005	2004
		RM'000	RM'000
(v)	Beras Corporation Sdn Bhd Group ("BCSB")		
	Transport charges paid to Tan Kien Chong Sdn Bhd, a company in which a director of Sazarice Sdn Bhd, Tan Kien Chong, is a substantial shareholder	1,289	1,591
	Sales to Ban Say Tong, an entity owned by Kueh Peng Ho, a director and substantial shareholder of BST	905	1,194
	Sales to Syarikat Welly Trading, a company in which a director has substantial financial interest	394	891
	Sales to Hock Chiong Co Sdn Bhd, a company in which directors of Hock Chiong Foodstuff Sdn Bhd, Datuk Lau Hieng Ing and Datin Wong Puo Siong have substantial financial interest	651	212
	Transport charges paid to Saza Enterprise, a company owned by a director, Sisamdin Bin Bugan	527	502
(vi)	Bernas Chaff Products Sdn Bhd ("BCPSB")		
	Sales to Mitavite Asia Sdn Bhd, a company in which a director of Bernas Chaff Sdn Bhd, Rodney Roy Shepherd, is a substantial shareholder	464	611

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

34. SIGNIFICANT AND SUBSEQUENT EVENTS

- (a) On 30 November 2004, the Company undertook a Voluntary Separation Scheme ("VSS") involving 1,695 employees within the Group for a period of one year with effect from 1 December 2004 to 30 November 2005. The implementation of the VSS had been approved by the Ministry of Finance on 14 October 2004. On 29 November 2005, the Company has extended the VSS offer period from 1 December 2005 to 30 June 2006.
- (b) On 6 April 2005, a 51% owned subsidiary of the Company, Jasmine Food Corporation Sdn Bhd ("JFC"), entered into and completed a Shares Sale Agreement with the Company, Norwiz Sdn Bhd, Ismail bin Kassim, Lim Kim Seng, Lim Thean Hock, Lim Kean Lai and Lim Eng Giap for the purchase of the entire 10,000,000 ordinary shares of RM1.00 each in Jasmine Rice Mill (Tunjang) Sdn Bhd ("JRMT"), a 51% owned subsidiary of the Company for a purchase consideration of RM11.4 million. The purchase consideration was satisfied via the issuance of 5,237,305 new ordinary shares in JFC at a nominal value of RM1.00 each. Pursuant to the above, JFC now holds 100% equity interest in JRMT.
- (c) On 20 April 2005, the Company entered into and completed the Share Transfer Agreement with Mr. Alsény Barry for the disposal of 5,000 ordinary shares of USD10 each representing the entire issued and paid-up share capital of Societe BERNAS de Guinee ("Sobergui"), a company incorporated in the Republic of Guinea, purchase at a consideration of GNF150,000,000 or RM144,304 on a willing buyer-willing seller basis.
- (d) On 30 June 2005, Beras Corporation Sdn Bhd ("BCSB"), a wholly-owned subsidiary of the Company entered into a conditional Subscription Agreement ("SA") with Liansin Trading Sdn Bhd ("Liansin"), a company principally involved in the wholesale and trading of rice and rice related products. The SA had resulted in BCSB subscribing a total of 128,600 new ordinary shares of RM1.00 each in Liansin, representing 30% equity interest in Liansin for a total cash consideration of RM1,577,279. The acquisition was completed on 30 August 2005 and BCSB now holds 30% equity interest in Liansin.
- (e) On 13 July 2005, Consolidated Bernas United Distributors Sdn Bhd ("CBUD"), a 50% + 1 share owned subsidiary of the Company entered into a Sale of Shares Agreement ("SSA") with a group of individuals namely Thong Heng Kin, Ng Boo Keow @ Wong Moo Kiew, Hoo Ngan @ Ho Kim Wan, Yong Siew Tee, Yap Koon Nghoh, Yong Sek Seng @ Yong Se Ching and Yap Kee Wan ("the Vendors"). The SSA involved the purchase by CBUD of 186,480 ordinary shares of RM1.00 each, representing 12.68% equity interest in Machind Realty Sdn Bhd ("MRSB") for a total purchase consideration of RM1,025,640. The acquisition was completed on 13 July 2005 and CBUD now holds 100% equity interest in MRSB.
- (f) On 19 December 2005, the Company entered into the following agreements with United Rice Wholesalers Sdn Bhd ("URW"):
- (i) A share sale agreement for the acquisition by the Company of 3,999,999 ordinary shares of RM1.00 each representing the remaining 50% equity interest in CBUD held by URW for a total cash consideration of RM16,250,000;
 - (ii) A share sale agreement for the disposal by the Company of its 8,296,839 ordinary shares of RM1.00 each representing 20% equity interest held in Edaran Bernas Nasional Sdn Bhd ("Edaran") to URW for a total cash consideration of RM1,493,431;
 - (iii) A shareholders agreement to regulate the relationships of the Company and URW as the new shareholders of Edaran.
- Pursuant to the completion of the above, on 1 January 2006, the Company now holds 100% equity interest in CBUD and 80% equity interest in Edaran.
- (g) On 30 December 2005, Bernas Dominals Sdn Bhd ("BDSB"), a wholly owned subsidiary of the Company, entered into a Share Sale Agreement ("SSA") with KBB Resources Bhd ("KBB") in respect to the proposed disposal by BDSB of its 3,957,500 ordinary shares of RM1.00 each representing 50% equity interest in Rasayang Food Industries Sdn Bhd ("Rasayang") for a total cash consideration of RM5.8 million.
- In conjunction with the execution of the SSA, a Shareholders' Agreement (SHA) was also entered into between both parties on a conditional date of 4 months from the date of SSA.
- (h) On 25 April 2006, Beras Corporation Sdn Bhd ("BCSB"), a wholly owned subsidiary of the company, entered into a Share Sale Agreement ("SSA") with Sisamdin bin Bagan in respect to the proposed acquisition by BCSB of 150,000 ordinary shares of RM1.00 each representing 5% equity interest in Sazarice Sdn Bhd ("Sazarice") for a total cash consideration of RM2,064,000.
- Persuant to the completion of the above, BCSB will hold 73% equity interest in Sazarice.

35. SUBSIDIARIES AND ASSOCIATES

(a) SUBSIDIARIES

Name of Subsidiaries	Effective Interest (%)		Principal Activities
	2005	2004	
Incorporated in Malaysia			
<i>Subsidiaries of the Company</i>			
Bernas Production Sdn Bhd	100	100	Rice processing
Era Bayam Kota Sdn Bhd	60	60	Trader, distributor and supplier of rice
Syarikat Faiza Sdn Bhd	51	51	Trader, distributor and supplier of rice
Consolidated Bernas United Distributors Sdn Bhd*	50% + 1 share	50% + 1 share	Rice trading
Jasmine Food Corporation Sdn Bhd	51	51	Trader, distributor and supplier of rice
YHL Holding Sdn Bhd	51	51	Investment holding
Bernas Marditech Seed Sdn Bhd	75.5	75.5	Paddy seed production
BM Agrotech Sdn Bhd	61	61	Investment holding
Beras Corporation Sdn Bhd	100	100	Processing and trading of rice
Bernas Dominals Sdn Bhd	100	100	Investment holding
Edaran Bernas Nasional Sdn Bhd (formerly known as Edaran Logistik Nasional Sdn Bhd)	100	100	Dormant

35. SUBSIDIARIES AND ASSOCIATES (CONTD)**(a) SUBSIDIARIES (CONTD)**

Name of Subsidiaries	Effective Interest (%)		Principal Activities
	2005	2004	
Incorporated in Malaysia (Contd)			
<i>Subsidiaries of the Company (Contd)</i>			
Bernas Overseas (L) Limited	100	100	Offshore investment holding company
Jasmine Rice Mill (Tunjang) Sdn Bhd	-	51	Processing and trading of rice
Bernas Engineering & Technology Sdn Bhd	100	100	Dormant
P.B. Construction & Supplies Sdn Bhd	100	100	Dormant
Bernas Realty & Development Sdn Bhd	100	100	Dormant
Valorlite Resources Sdn Bhd	100	100	Dormant
Bernas Utama Sdn Bhd	100	100	Dormant
Bernas Perdana Sdn Bhd	100	100	Dormant
Belikmat Corporation Sdn Bhd	100	100	Dormant
Bernas (Sabah) Sdn Bhd	100	100	Dormant

35. SUBSIDIARIES AND ASSOCIATES (CONTD)

(a) SUBSIDIARIES (CONTD)

Name of Subsidiaries	Effective Interest (%)		Principal Activities
	2005	2004	
Incorporated in Malaysia (Contd)			
<i>Subsidiaries of the Company (Contd)</i>			
Bernas (Sarawak) Sdn Bhd	100	100	Dormant
Bernas Food Catering Sdn Bhd	100	100	Dormant
Bernas Shipping Agencies Sdn Bhd	100	100	Dormant
Bernas Organic Soil (M) Sdn Bhd	100	100	Dormant
Bernas Agroproduce Sdn Bhd	100	100	Dormant
Rib Beef Sdn Bhd	100	100	Dormant
Bernas Fisheries Sdn Bhd	100	100	Dormant
Bernas-KME Sdn Bhd	100	100	Dormant
Bernas Agrogreen Sdn Bhd	100	100	Dormant
Bernas Marditech Project Development Sdn Bhd	50	50	Dormant
<i>Subsidiary of Syarikat Faiza Sdn Bhd</i>			
Lee Hup & Company Sendirian Berhad	25.5	25.5	Processing and trading of rice and other groceries

35. SUBSIDIARIES AND ASSOCIATES (CONTD)

(a) SUBSIDIARIES (CONTD)

Name of Subsidiaries	Effective Interest (%)		Principal Activities
	2005	2004	
Incorporated in Malaysia (Contd)			
<i>Subsidiary of Consolidated Bernas United Distributors Sdn Bhd</i>			
Machind Realty Sdn Bhd*	50	44	Dormant
<i>Subsidiaries of Jasmine Food Corporation Sdn Bhd</i>			
Jasmine Food (Ipoh) Sdn Bhd	51	51	Trader, distributor and supplier of rice
Jasmine Food (Alor Setar) Sdn Bhd	51	51	Trader, distributor and supplier of rice
Jasmine Food (Johor Bahru) Sdn Bhd	51	51	Trader, distributor and supplier of rice
Jasmine Khidmat & Harta Sdn Bhd	51	51	Letting of properties
JS Jasmine Sdn Bhd*	26	26	Trader, distributor and supplier of rice
Jasmine Food (Seremban) Sdn Bhd	51	51	Trader, distributor and supplier of rice
Jasmine Food (Prai) Sdn Bhd	51	51	Trader, distributor and supplier of rice
Jasmine Rice Mill (Tunjang) Sdn Bhd	51	-	Processing and trading of rice

35. SUBSIDIARIES AND ASSOCIATES (CONTD)

(a) SUBSIDIARIES (CONTD)

Name of Subsidiaries	Effective Interest (%)		Principal Activities
	2005	2004	
Incorporated in Malaysia (Contd)			
<i>Subsidiaries of YHL Holding Sdn Bhd</i>			
YHL Trading (KL) Sdn Bhd	51	51	Trader, distributor and supplier of rice
YHL Trading (Johor) Sdn Bhd	51	51	Trader, distributor and supplier of rice
YHL Trading (Segamat) Sdn Bhd	51	51	Trader, distributor and supplier of rice
YHL Trading (Kedah) Sdn Bhd	51	51	Trader, distributor and supplier of rice
YHL Trading (Melaka) Sdn Bhd	51	51	Trader, distributor and supplier of rice
YHL Trading (Terengganu) Sdn Bhd	51	51	Trader, distributor and supplier of rice
YHL (Kuantan) Sdn Bhd	51	51	Dormant
<i>Subsidiary of Jasmine Rice Mill (Tunjang) Sdn Bhd</i>			
Jasmine Rice Products Sdn Bhd	51	51	Manufacturing and sale of vermicelli
<i>Subsidiary of BM Agrotech Sdn Bhd</i>			
Padi Gedong Sdn Bhd	61	61	Dormant
<i>Subsidiaries of Beras Corporation Sdn Bhd</i>			
Sazarice Sdn Bhd	68	68	Trader, distributor and supplier of rice
Dayabest Sdn Bhd	100	100	Investment holding
Sabarice Sdn Bhd	100	-	Dormant

35. SUBSIDIARIES AND ASSOCIATES (CONTD)

(a) SUBSIDIARIES (CONTD)

Name of Subsidiaries	Effective Interest (%)		Principal Activities
	2005	2004	
Incorporated in Malaysia (Contd)			
<i>Subsidiaries of Dayabest Sdn Bhd</i>			
Haskarice Sdn Bhd	51	51	Trader, distributor and supplier of rice
Hock Chiong Foodstuff Sdn Bhd	51	51	Trader, distributor and supplier of rice
Ban Say Tong Sdn Bhd	51	51	Trader, distributor and supplier of rice
Tong Seng Huat Rice Trading Sdn Bhd	51	51	Trader, distributor and supplier of rice
<i>Subsidiary of Bernas Dominals Sdn Bhd</i>			
Bernas Chaff Products Sdn Bhd	51	51	Manufacturing and trading of horse feed
Incorporated in the Republic of Guinea			
<i>Subsidiary of the Company</i>			
Societe BERNAS De Guinee*	-	100	Poultry and egg production
Incorporated in the British Virgin Islands			
<i>Subsidiary of Bernas Overseas (L) Limited</i>			
Bernas China Corporation	95	95	Rice trading

* Audited by a firm of auditors other than Hanafiah Raslan & Mohamad.

35. SUBSIDIARIES AND ASSOCIATES (CONTD)

(b) ASSOCIATES

Name of Associates	Effective Interest (%)		Financial Year End	Principal Activities
	2005	2004		
Incorporated in Malaysia				
<i>Associates of the Company</i>				
Gardenia Bakeries (KL) Sdn Bhd	30	30	31 December	Bread manufacturing and bakery
Kilang Beras Fajar Sdn Bhd	49	49	31 December	Dormant
Formula Timur Sdn Bhd	40	40	30 April	Dormant
Ban Heng Bee Rice Mill (1952) Sdn Bhd	20	20	31 December	Rice miller
Serba Wangi Sdn Bhd	52	52	31 December	Trader, distributor and supplier of rice
Keongco Holdings Sdn Bhd	20	20	31 December	Investment holding
OEL Realty Holdings Sdn Bhd	30	30	31 December	Investment holding
Bernas Logistics Sdn Bhd	25	25	31 December	Provision of logistics services
United Malayan Flour (1996) Sdn Bhd	45	-	31 July	Manufacturing and trading of wheat flour
<i>Associates of Bernas Dominants Sdn Bhd</i>				
Rasayang Food Industries Sdn Bhd	50	50	31 December	Vermicelli manufacturer

35. SUBSIDIARIES AND ASSOCIATES (CONTD)

(b) ASSOCIATES (CONTD)

Name of Associates	Effective Interest (%)		Financial Year End	Principal Activities
	2005	2004		
Incorporated in Malaysia (Contd)				
Associates of Bernas Dominals Sdn Bhd (Contd)				
Bernas Feedstuff Sdn Bhd	49	49	31 December	Trading of rice by products
Associate of Beras Corporation Sdn Bhd				
Liansin Trading Sdn Bhd	30	-	31 December	Wholesale and trading of rice and rice related products
Subsidiaries of Kilang Beras Fajar Sdn Bhd				
Fajar Jerlun Sdn Bhd	49	49	31 December	Dormant
Fajar Jerlun (Negeri Sembilan) Sdn Bhd	49	49	31 December	Dormant
Subsidiaries of Serba Wangi Sdn Bhd				
Serba Wangi (KL) Sdn Bhd	52	52	31 December	Trader, distributor and supplier of rice
Serba Wangi JH Sdn Bhd	26.5	26.5	31 December	Trader, distributor and supplier of rice
Serba Wangi (PG) Sdn Bhd	46.8	46.8	31 December	Trader, distributor and supplier of rice

35. SUBSIDIARIES AND ASSOCIATES (CONTD)

(b) ASSOCIATES (CONTD)

Name of Associates	Effective Interest (%)		Financial Year End	Principal Activities
	2005	2004		
Incorporated in Malaysia (Contd)				
<i>Subsidiaries of Serba Wangi Sdn Bhd (Contd)</i>				
Serba Wangi (Perak) Sdn Bhd	52	52	31 December	Trader, distributor and supplier of rice
Eng Chuan Chan Sdn Bhd	41.6	41.6	31 December	Trader, distributor and supplier of rice
Serba Wangi ML Sdn Bhd	26.5	26.5	31 December	Trader, distributor and supplier of rice
SW Transport Sdn Bhd	52	52	31 December	Provision of transport services
<i>Subsidiaries of Keongco Holdings Sdn Bhd</i>				
Keongco Malaysia Sdn Bhd	20	20	31 December	Investment holding and importing, wholesaling and exporting commodities consisting of garlic, onion, dried chillies, ginger, beans and rice

35. SUBSIDIARIES AND ASSOCIATES (CONTD)

(b) ASSOCIATES (CONTD)

Name of Associates	Effective Interest (%)		Financial Year End	Principal Activities
	2005	2004		
Incorporated in Malaysia (Contd)				
<i>Subsidiaries of Keongco Holdings Sdn Bhd (Contd)</i>				
Honeyco Food Industries Sdn Bhd	20	20	31 December	Processing and sale of fried onions
Central Eight (M) Sdn Bhd	20	20	31 December	Letting of properties
<i>Subsidiaries of OEL Realty Holdings Sdn Bhd</i>				
Ong Eng Lee (Trading) Sdn Bhd	30	30	31 December	Trader, distributor and supplier of rice
Sing Weng Guan Enterprise Sdn Bhd	30	30	31 December	Trader, distributor and supplier of rice
OEL Origin (Kedah) (formerly known as Bintangtara Sdn Bhd)	30	30	31 December	Trader, distributor and supplier of rice
OEL Wawasan Enterprise Sdn Bhd	30	30	31 December	Trader, distributor and supplier of rice
Perusahaan Kargo Selatan Sdn Bhd	30	30	31 December	Trader, distributor and supplier of rice

35. SUBSIDIARIES AND ASSOCIATES (CONTD)

(b) ASSOCIATES (CONTD)

Name of Associates	Effective Interest (%)		Financial Year End	Principal Activities
	2005	2004		
Incorporated in Malaysia (Contd)				
<i>Subsidiaries of OEL Realty Holdings Sdn Bhd (Contd)</i>				
Setia Saujana Sdn Bhd	18	18	31 December	Trader, distributor and supplier of rice
Best Field Enterprise Sdn Bhd	18	18	31 December	Trader, distributor and supplier of rice
OEL Food Manufacturing Sdn Bhd	30	30	31 December	Manufacturing of health drinks
<i>Subsidiaries of Liansin Trading Sdn Bhd</i>				
Liantye Trading Sdn Bhd	30	-	31 December	General trading and rice wholesaler
Liansin Trading (Miri) Sdn Bhd	30	-	31 December	Dormant
<i>Subsidiaries of Gardenia Bakeries (KL) Sdn Bhd</i>				
Gardenia Sales & Distribution Sdn Bhd	30	30	31 December	Sales and distribution of bread
Everyday Bakery & Confectionery Sdn Bhd	30	30	31 December	Bread manufacturing and bakery

35. SUBSIDIARIES AND ASSOCIATES (CONTD)

(b) ASSOCIATES (CONTD)

Name of Associates	Effective Interest (%)		Financial Year End	Principal Activities
	2005	2004		
Incorporated in Thailand				
<i>Associate of Bernas Overseas (L) Limited</i>				
Asian Peninsula Corporation Ltd	49	49	31 December	Rice trading
Incorporated in Pakistan				
<i>Associate of Bernas Overseas (L) Limited</i>				
Irfan Noman Bernas (Pvt) Limited	20	20	30 June	Rice trading

36. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been reclassified to conform with current year's presentation:

	As Restated RM'000	Adjustments RM'000	As Previously Stated RM'000
GROUP			
Non-current asset			
Deferred tax assets	57,304	(13,023)	70,327
Non-current liabilities			
Deferred tax liabilities	32,578	(13,023)	45,601
Retirement benefit obligations	37,257	5,116	32,141
Current liabilities			
Retirement benefit obligations	1,800	(5,116)	6,916
COMPANY			
Non-current liabilities			
Retirement benefit obligations	26,175	3,875	22,300
Current liabilities			
Retirement benefit obligations	1,303	(3,875)	5,178

37. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board of Directors and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt as at 31 December 2005. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(c) Foreign Exchange Risk

The Group operates internationally and is exposed to various currencies, mainly United States Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. There are no material unhedged financial assets and financial liabilities that are not denominated in the functional currencies of the Company and its subsidiaries.

(d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group and the Company do not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments other than as disclosed in Notes 19 and Note 20.

37. FINANCIAL INSTRUMENTS (CONTD)

(f) Fair Values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Group and of the Company as at the end of the financial year are represented as follows:

	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
At 31 December 2005:				
Amounts due from subsidiaries and associates (non-trade) (Note 20)	20,096	*	75,356	*
At 31 December 2004:				
Amounts due from subsidiaries and associates (non-trade) (Note 20)	10,272	*	176,247	*
Financial Liabilities				
At 31 December 2005:				
Amounts due to subsidiaries and associates (non-trade) (Note 26)	409	*	298,292	*
Hire purchase and finance lease payables (Note 24)	9,433	10,129	-	-
At 31 December 2004:				
Amounts due to subsidiaries and associates (non-trade) (Note 26)	3,745	*	300,861	*
Hire purchase and finance lease payables (Note 24)	7,951	9,482	-	-

* It is not practical to estimate the fair values of amounts due to/from related corporations and associates due principally to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs.

37. FINANCIAL INSTRUMENTS (CONTD)**(f) Fair Values (Contd)**

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Receivables, Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Quoted Shares

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

(iii) Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

The carrying value of term loans which have floating interest rates, approximates their fair values determined using discounted cash flow analysis based on current interest rates for similar types of borrowings.

It is not practical to estimate the fair value of contingent liabilities (as disclosed in Note 32 to the financial statement) reliably due to uncertainties of timing, costs and eventual outcome.

38. SEGMENT INFORMATION

The activities of the Group during the current and previous financial years substantially relate to the procurement, importing, buying, processing and selling of rice, rice by-products and paddy and were predominantly conducted in Malaysia. Accordingly, no segmental information is presented.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Analysis Of Shareholding

as at 24 April 2006

Authorised Capital	:	RM1,000,000,001.00
Issued & Fully Paid Up Capital	:	RM470,401,501.00 consisting of 470,401,500 ordinary shares of RM1.00 each and 1(one) Special Rights Redeemable Preference Share of RM1.00.

Distributions schedules of equity

as at 24 April 2006

Holdings	No. of holders	No. of shares	%
Less than 100	115	7,243	0.00
100 – 1,000	1,057	906,358	0.19
1,001 – 10,000	12,113	37,199,200	7.91
10,001 – 100,000	1,800	48,900,600	10.40
100,001 < 5% of issued shares	229	197,229,600	41.93
5% & above of issued shares	3	186,158,500	39.57

Category of shareholders of each class

as at 24 April 2006

Category	No. of holders	No. of shares	%
Individuals	13,590	82,321,966	17.5
Banks/ Finance Companies	26	20,655,000	4.39
Trusts/Foundation/Charity	54	3,255,500	0.69
Private/Limited Companies	250	185,626,250	39.46
Government Agencies/Institutions	3	818,900	0.17
Nominees	1,394	177,723,885	37.80

Substantial shareholders

as at 24 April 2006

Name	No. of Shares Held		% of Issued Capital
	Direct	Indirect	
1. Budaya Generasi (M) Sdn Bhd	121,392,000	*23,437,500	30.79
2. Wang Tak Company Limited	-	**33,622,700	7.15
3. Serba Etika Sdn Bhd	30,143,500	***250,000	6.46

Notes

* By virtue of shares held through Mayban Nominees (Tempatan) Sdn Bhd

** By virtue of shares held through HSBC Nominees (Asing) Sdn Bhd

*** By virtue of shares held through MIDF Sisma Nominees (Tempatan) Sdn Bhd

Top thirty (30) shareholders
as at 24 April 2006

No.	Shareholders	No. of Share Held	%
1.	Budaya Generasi (M) Sdn Bhd	121,392,000	25.81
2.	HSBC Nominees (Asing) Sdn Bhd <i>Exempt An For Credit Suisse (SG-BR-TST-Asing)</i>	34,623,000	7.36
3.	Serba Etika Sdn Bhd	30,143,500	6.41
4.	Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Budaya Generasi (M) Sdn Bhd</i>	23,437,500	4.98
5.	Batu Bara Resources Corporation Sdn Bhd	19,591,500	4.16
6.	Lembaga Tabung Haji	10,315,100	2.19
7.	AM Nominees (Tempatan) Sdn Bhd Perbadanan Nasional Berhad	8,228,300	1.75
8.	Alliancegroup Nominees (Tempatan) Sdn Bhd PHEIM Asset Management Sdn Bhd For Employees Provident Fund	7,056,100	1.50
9.	Employees Provident Fund Board	6,823,300	1.45
10.	Kuala Lumpur City Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohamed Asharee Bin Mahmood</i>	5,568,100	1.18
11.	Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd <i>Bumiputra-Commerce Trustee Bhd-Pacific Dana Aman</i>	4,943,200	1.05
12.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Hwang-DBS Select Small Caps Fund</i>	4,300,000	0.91
13.	Kuala Lumpur City Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Raja Sacha Binti Saharman</i>	3,890,500	0.83
14.	AMMB Nominees (Tempatan) Sdn Bhd <i>Amtrustee Berhad for Pacific Dividend Fund</i>	3,341,100	0.71
15.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Hwang-DBS Select Opportunity Fund</i>	3,338,700	0.71
16.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>BNP Paribas Nominees Singapore Pte Ltd for Contend Investment Limited</i>	3,279,000	0.70
17.	Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad for Public Ittikal Fund</i>	3,052,700	0.65
18.	AMMB Nominees (Tempatan) Sdn Bhd <i>Amtrustee Berhad for HLG Penny Stock Fund</i>	3,028,200	0.64
19.	Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for DFA Emerging Markets Fund</i>	2,911,100	0.62
20.	AMMB Nominees (Tempatan) Sdn Bhd <i>Assar Asset Mgmt S/B for Tabung Baitulmal Sarawak</i>	2,695,000	0.57
21.	Yayasan Pok Rafeah Berdaftar	2,250,000	0.48
22.	Citigroup Nominees (Asing) Sdn Bhd <i>CB LDN for Sticing Shell Pensioenfunds</i>	2,058,700	0.44

No.	Shareholders	No. of Share Held	%
23.	HSBC Nominees (Asing) Sdn Bhd <i>TNTC for DBS Malaysia Equity Fund</i>	2,025,000	0.43
24.	Universal Trustee (Malaysia) Berhad <i>Malaysian Assurance Alliance Bhd</i>	2,000,000	0.43
25.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Islamic Opportunities Fund</i>	1,905,100	0.41
26.	Universal Trustee (Malaysia) Berhad <i>Pacific Premier Fund</i>	1,864,500	0.40
27.	PRB Nominees (Tempatan) Sdn Bhd <i>Rubber Industry Smallholders Development Authority</i>	1,864,500	0.40
28.	BHLB Trustee Berhad <i>TA Small Cap Fund</i>	1,863,000	0.40
29.	RHB Nominees (Tempatan) Sdn Bhd RHB Asset Mgmt Sdn Bhd for Perbadanan Nasional Bhd	1,831,200	0.39
30.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Smallcap Fund</i>	1,777,000	0.38

List of Landed Properties

as at 31 December 2005

Location	Existing Use	Tenure & Expiry Date	Year of Building	Land Area Hectare (ACRE)	Net Book Value as at 31 Dec 2005 (RM)	Date of Acquisition
PERLIS						
HS (M)682, PT242 Mukim Sanglang Negeri Perlis	Rice mill complex	Lease 6/7/2024	1974	4.05 (10.00)	1.00	1996
HS (D) 1203 PT 136, Mukim Kuala Perlis Negeri Perlis	Rice mill complex	Lease 6/7/2024	1985	4.34 (10.72)	1.00	1996
GM1514 Lot 2074, Utan Aji Negeri Perlis	Rice mill complex	Lease 6/7/2024	1971	1.98 (4.89)	1.00	1996
PT 1265 Mukim Sanglang Negeri Perlis	Vacant land	Lease 6/7/2054	-	8.55 (21.12)	1.00	1996
Lot 1628 Mukim Arau Negeri Perlis	Drying complex/ Warehouse	Lease 6/7/2054	1931/1971	0.83 (2.04)	1.00	1996
GK 1/1341 Mukim Arau Negeri Perlis	Drying complex/ Warehouse	Lease 6/7/2024	1931/1971	2.44 (6.03)	1.00	1996
KEDAH						
HS (M) 23/1984 PT 570 Mukim Putat Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2044	1975	0.71 (1.75)	1.00	1996
HS (M) 111 PT 437, Mukim Putat Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2024	1975	3.49 (8.61)	1.00	1996
HS (M) 6/1977 PT 30, Mukim Bukit Raya Daerah Pendang	Rice mill complex	Lease 6/7/2054	1973	2.02 (5.00)	1.00	1996
HS (M) 1/1979 PT 28, Mukim Bukit Raya Daerah Pendang	Rice mill complex	Lease 6/7/2024	1973	0.66 (1.64)	1.00	1996
GM 42, Lot 3, Sek.1 Bandar Guar Chempedak Daerah Yan	Rice mill complex	Lease 6/7/2054	1975	0.50 (1.24)	1.00	1996
HS (M) 46, Mukim Yan, Daerah Yan	Rice mill complex	Lease 6/7/2054	1975	0.91 (2.24)	1.00	1996
GM 186, Lot 4728 Mukim Yan, Daerah Yan	Rice mill complex	Lease 6/7/2054	1975	2.53 (6.25)	1.00	1996
PM 2, Lot 5440, Mukim Yan, Daerah Yan	Rice mill complex	Lease 6/7/2054	1975	1.72 (4.24)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Year of Building	Land Area Hectare (ACRE)	Net Book Value as at 31 Dec 2005 (RM)	Date of Acquisition
GM 83, Lot 615 Mukim Sungai Baru Daerah Kota Setar	Rice mill complex	Lease 6/7/2024	1972	1.95 (4.82)	1.00	1996
PM 1, Lot 653 Mukim Sungai Baru Daerah Kota Setar	Rice mill complex	Lease 6/7/2024	1972	1.65 (4.09)	1.00	1996
HS (M) 1/1993, PT 70 Mukim Kubang Rotan Daerah Kota Setar	Rice mill complex	Lease 6/7/2054	1972	0.81 (2.00)	1.00	1996
HS (M) 2/1993, PT 71 Mukim Kubang Rotan Daerah Kota Setar	Rice mill complex	Lease 6/7/2053	1972	0.42 (1.04)	1.00	1996
HS (M) 1/1979, PT 2 Mukim Kangkong Daerah Kota Setar	Rice mill complex	Lease 6/7/2024	1972	2.12 (5.25)	1.00	1996
HS (M) 2/1995, PT 740 Mukim Kangkong Daerah Kota Setar	Rice mill complex	Lease 6/7/2054	1982	2.02 (5.00)	1.00	1996
GM 148, Lot 3724 Mukim Sungai Daun Daerah Yan	Rice mill complex	Lease 6/7/2024	1972	2.08 (5.14)	1.00	1996
PM 1, Lot 4030 Mukim Sungai Daun Daerah Yan	Rice mill complex	Lease 6/7/2054	1982	1.61 (3.98)	1.00	1996
GM 868, Lot 4049 Mukim Jerlun Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2024	1975	3.88 (9.53)	1.00	1996
GM 1841, Lot 4424 Mukim Jerlun Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2054	1975	3.20 (7.90)	1.00	1996
HS (M) 1/1982, PT 9 Mukim Telok Kechai Daerah Kota Setar	Rice mill complex	Lease 6/7/2054	1975	1.03 (2.50)	1.00	1996
GM 79, Lot 625 Mukim Telok Kechai Daerah Kota Setar	Rice mill complex	Lease 6/7/2024	1975	2.38 (5.87)	1.00	1996
HS (M) 3/1992, PT 1535 Mukim Telok Kechai Daerah Kota Setar	Rice mill complex	Lease 25/10/2052	1975	1.79 (4.41)	1.00	1996
HS (M) 2/1974, PT 3 Mukim Telok Kechai Daerah Kota Setar	Rice mill complex	Lease 6/7/2054	1975	1.56 (3.84)	1.00	1996
HS (D) 2/93, PT 1934 Mukim Pering Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2054	1988	4.63 (11.45)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Year of Building	Land Area Hectare (ACRE)	Net Book Value as at 31 Dec 2005 (RM)	Date of Acquisition
HS (M) 6/1987 PT 1228, Mukim Kepelu Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2054	1988	0.13 (0.32)	1.00	1996
HS (M) 117, PT 668 Mukim Pering Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2024	1988	4.63 (11.45)	1.00	1996
GM 843, Lot 3346 Mukim Kepelu Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2054	1972	2.00 (4.93)	1.00	1996
HS (M) 9/1995, PT 1652 Mukim Kepelu Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2054	1972	0.67 (1.66)	1.00	1996
GM 344, Lot 2190 Mukim Jitra Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2054	1972	1.84 (4.55)	1.00	1996
GM 473, Lot 3050 Mukim Tualang Daerah Pokok Sena	Rice mill complex	Lease 6/7/2024	1972	2.02 (5.00)	1.00	1996
HS (D) 2721/89, PT 13 Mukim Pekula Daerah Kuala Muda	Vacant land	Lease 6/7/2054	-	8.41 (20.79)	1.00	1996
G 3409, Lot 2319 Mukim Tunjang Daerah Kubang Pasu	Vacant land	Lease 6/7/2053	-	4.12 (10.18)	1.00	1996
HS (M) 28-93 Lot 1894 Mukim Ulu Melaka Langkawi	Vacant land	Lease 6/7/2053	-	2.81 (6.94)	1.00	1996
GM 3043, Lot 7773 Mukim Sala Besar Daerah Yan	Rice mill complex	Lease 6/7/2024	1975	3.56 (8.79)	1.00	1996
GM 1315, Lot 3977 Mukim Jerlun Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2024	1972	2.22 (5.48)	1.00	1996
HS (M) 15/1981 PT 1215 Mukim Jerlun Daerah Kubang Pasu	Rice mill complex	Lease 6/7/2054	1982	1.87 (4.62)	1.00	1996
PULAU PINANG						
HS (D) 3-MK 6 PT No. 5, Mukim 6 Daerah Seberang Perai Utara	Rice mill complex	Lease 6/7/2024	1983	8.11 (20.04)	1.00	1996
HS (D) 80, PT BMA/076 Mukim 1 Daerah Seberang Perai Tengah	Warehouse	Lease 6/7/2024	1982	2.11 (5.22)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Year of Building	Land Area Hectare (ACRE)	Net Book Value as at 31 Dec 2005 (RM)	Date of Acquisition
HS (D) 3, PT 4, Mukim 3 Daerah Seberang Perai Tengah	Vacant land	Lease 6/7/2054	-	7.61 (18.81)	1.00	1996

PERAK

PN No. 42983, Lot 3122 Mukim Parit Buntar Daerah Kerian	Rice mill complex	Lease 6/7/2054	1975	4.05 (10.00)	1.00	1996
HS (D) LP 8/83, PT 569 Mukim Labu Kubong Daerah Hilir Perak	Rice mill complex	Lease 31/1/2017	1983	6.07 (15.00)	1.00	1996
HD (D) 2804, Lot 2908 Mukim Pasir Salak Daerah Perak Tengah (Kom. Sungai Dedap)	Rice mill complex	Lease 6/7/2054	1984	10.01 (24.72)	822,415.00	1996
HS (D) 2805, PT 1796 Mukim Kota Setia Daerah Perak Tengah (Kom. Changkat Lada)	Rice mill complex	Lease 6/7/2054	1993	10.93 (27.00)	840,193.09	1996
HS (D) 2803, PT 1797 Mukim Kota Setia Daerah Perak Tengah (Kom. Sungai Ranggung)	Rice mill complex	Lease 6/7/2054	1993	11.53 (28.48)	1.00	1996
GM7424, Lot 7232 Mukim Bagan Serai Daerah Kerian	Warehouse	Lease 6/7/2054	1968	0.38 (0.97)	1.00	1996
GM 7425, Lot 7228 Mukim Bagan Serai Daerah Kerian	Warehouse	Lease 6/7/2054	1968	0.33 (0.81)	1.00	1996
Lot 7230, Mukim Bagan Serai, Daerah Kerian	Warehouse	Lease 6/7/2054	1968	0.13 (0.33)	1.00	1996
Lot 7851, Mukim Bagan Serai, Daerah Kerian	Warehouse	Lease 6/7/2054	1968	0.20 (0.45)	1.00	1996
Lot 12589, Mukim Bagan Serai, Daerah Kerian	Warehouse	Lease 6/7/2054	1968	3.82 (9.43)	1.00	1996
Lot 2870 Mukim Durian Sebatang Daerah Hilir Perak	Rice mill complex	Sub-lease 6/7/2054	1931	0.40 (1.00)	1.00	1996
Lot 2869 Mukim Durian Sebatang Daerah Hilir Perak	Rice mill complex	Sub-lease 6/7/2054	1931	0.38 (0.94)	1.00	1996
Lot 10088 Mukim Durian Sebatang Daerah Hilir Perak	Rice mill complex	Sub-lease 6/7/2054	1931	4.36 (10.78)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Year of Building	Land Area Hectare (ACRE)	Net Book Value as at 31 Dec 2005 (RM)	Date of Acquisition
Lot 10089 Mukim Durian Sebatang Daerah Hilir Perak	Rice mill complex	Sub-lease 6/7/2054	1931	0.51 (1.27)	1.00	1996
Lot 10090 Mukim Durian Sebatang Daerah Hilir Perak	Rice mill complex	Sub-lease 6/7/2054	1931	0.20 (0.48)	1.00	1996
CT 10130, Lot 1945 Mukim Parit Buntar Daerah Kerian	Warehouse	Sub-lease 6/7/2054	1931	0.69 (1.70)	1.00	1996
CT 9473, Lot 130 Mukim Parit Buntar Daerah Kerian	Warehouse	Sub-lease 6/7/2054	1931	0.73 (1.80)	1.00	1996
CT 3334, Lot 1768 Mukim Parit Buntar Daerah Kerian	Warehouse	Lease 6/7/2054	1931	0.06 (0.14)	1.00	1996
CT 6884, Lot 1944 Mukim Parit Buntar Daerah Kerian	Warehouse	Lease 6/7/2054	1931	0.13 (0.31)	1.00	1996
CT 6885, Lot 1943 Mukim Parit Buntar Daerah Kerian	Warehouse	Lease 6/7/2054	1931	0.04 (0.10)	1.00	1996
CT 6246, Lot 1925 Mukim Parit Buntar Daerah Kerian	Warehouse	Lease 6/7/2054	1931	0.51 (1.27)	1.00	1996
SELANGOR						
Lot No 66, Hicom Glenmarie Industrial Park (Phase 1) HS (D) 136183, PT No 1 Bandar Glenmarie Daerah Petaling Jaya	Vacant Building	Freehold	1993	23,683 sq feet (2,200 sq meter)	6,385,426.65	2004
LM 473, Lot 19947 Mukim Tanjong Karang Daerah Kuala Selangor	Rice mill complex	Lease 6/7/2028	1978	3.84 (9.50)	1.00	1996
HS (M) 3204 Lot 11822-11828 Lot 11830-11836 Mukim Tanjong Karang Daerah Sabak Bernam	Rice mill complex	Lease 6/7/2033	1978	3.44 (8.50)	1.00	1996
LM 579, Lot 10775 Mukim Pachang Bedena Daerah Sabak Bernam	Rice mill complex	Lease 6/7/2028	1970	4.16 (10.26)	1.00	1996
QT (M) 469 Lot 811 & 814 Mukim Panchang Bedena Daerah Sabak Bernam	Rice mill complex	Lease 6/7/2028	1970	4.12 (10.19)	1.00	1996
HS (D) 96, PT 810 Mukim Bedena Daerah Sabak Bernam	Rice mill complex	Lease 6/7/2054	1970	2.08 (5.13)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Year of Building	Land Area Hectare (ACRE)	Net Book Value as at 31 Dec 2005 (RM)	Date of Acquisition
HS (D) 380, PT 843 Mukim Sungai Panjang Daerah Sabak Bernam	Rice mill complex	Lease 6/7/2054	1990	8.10 (20.00)	1.00	1996
HS (M) 6212, PT 4178 Mukim Kapar Daerah Kelang	Warehouse	Lease 6/7/2054	1988	2.02 (4.99)	1.00	1996
NEGERI SEMBILAN						
HS (D) Lis 811, PT 1329 (Plot 75 A) Mukim Ampangan Daerah Seremban	Warehouse	Lease 6/7/2054	1983	1.62 (4.00)	1.00	1996
MELAKA						
ACT 13, Mukim Village off Bt. Berendam Daerah Melaka Tengah	Warehouse	Lease 6/7/2054	1989	0.49 (1.20)	1.00	1996
HS (M) 3209, PT 1527 Mukim Kelemak Daerah Alor Gajah	Warehouse	Lease 6/7/2054	1995	3.31 (8.18)	1.00	1996
G 10590, Lot 3240 Mukim Batu Berendam Daerah Alor Gajah	Vacant land	Lease 6/7/2054	-	3.38 (8.35)	1.00	1996
JOHOR						
G 29401, Lot 6600 Mukim Teberau Daerah Johor Bahru	Warehouse	Lease 6/7/2054	1977	2.05 (5.07)	1.00	1996
HS (D) 216629 PTD 112330 Mukim Plentong Daerah Johor Bahru	Warehouse	Lease 11/3/2054	1977	1.14 (2.81)	1.00	1996
HS (D) 48624 PTD 22916 Mukim Plentong Daerah Johor Bahru	Warehouse	Lease 31/1/2041	1977	2.43 (6.00)	1.00	1996
HS (D) 17663 PTD 14679 Mukim Kluang Daerah Kluang	Vacant land	Lease 6/7/2054	-	2.02 (5.00)	1.00	1996
PAHANG						
HS (D) 3390 PT 1720, Mukim Pontian Daerah Rompin	Rice mill complex	Lease 6/7/2054	1984	2.60 (6.42)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Year of Building	Land Area Hectare (ACRE)	Net Book Value as at 31 Dec 2005 (RM)	Date of Acquisition
HS (D) 3391 PT 1832, Mukim Pontian Daerah Rompin	Rice mill complex	Lease 6/7/2054	1984	1.64 (4.06)	1.00	1996
HS (D) 2798 PT 468, (Lot 63 & 64) Mukim Songsang Daerah Temerloh	Warehouse	Lease 29/10/2050	1981	1.60 (3.95)	1.00	1996
HS (D) 3576 PT 4313 Mukim Pahang Tua Daerah Pekan	Paddy purchasing centre	Lease 6/7/2054	1986	2.73 (6.73)	1.00	1996
TERENGGANU						
G 8617, Lot 2432 Mukim Bukit Kenak Daerah Besut	Rice mill complex	Lease 6/7/2054	1978	3.84 (9.50)	1.00	1996
PN 2991, Lot 3593 Mukim Bukit Kenak Daerah Besut	Rice mill complex	Lease 6/7/2054	1978	1.12 (2.77)	1.00	1996
HS (M) 1194 PT 1135 K Mukim Chendering Daerah Kuala Terengganu	Warehouse	Lease 10/6/2048	1983	1.23 (3.05)	1.00	1996
HS (D) 4539 PT 2803 K Mukim Belara Daerah Kuala Terengganu	Vacant	Lease 6/7/2054	-	4.06 (10.02)	1.00	1996
KELANTAN						
G 13803, Lot 2453 Mukim Peringat Daerah Jajahan Kota Bharu	Rice mill complex	Lease 6/7/2054	1970	1.73 (4.28)	1.00	1996
G 13804, Lot 2454 Mukim Peringat Daerah Jajahan Kota Bharu	Rice mill complex	Lease 6/7/2054	1970	2.62 (6.47)	1.00	1996
GN13805, Lot 2455 Mukim Peringat Daerah Jajahan Kota Bharu	Rice mill complex	Lease 6/7/2054	1970	1.56 (3.86)	1.00	1996
Pajakan Negeri No. Pendaftaran 1840 Lot 2784, Mukim Peringat Daerah Jajahan Kota Bharu	Rice mill complex	Lease 6/7/2054	1970	1.34 (3.30)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Year of Building	Land Area Hectare (ACRE)	Net Book Value as at 31 Dec 2005 (RM)	Date of Acquisition
HS (D) T 1/78, PT 5 Mukim Selehong South Daerah Terbok Jajahan Tumpat	Rice mill complex	Lease 6/7/2054	1970	4.05 (10.05)	1.00	1996
HS (D) P.P. 32/85 PT 387, Mukim Pdg Pak Amat Daerah Bt Sebutir Jajahan Pasir Putih	Rice mill complex	Lease 6/7/2054	1978	0.16 (0.40)	1.00	1996
Pajakan Negeri No. Pendaftaran 660 Lot 1637, Mukim Pdg Pak Amat Daerah Bt. Sebutir Jajahan Pasir Putih	Rice mill complex	Lease 6/7/2054	1978	4.05 (10.01)	1.00	1996
HS (D) KB 310/76 PT 18 Mukim Padang Raja Daerah Peringat Jajahan Kota Bharu	Warehouse	Lease 6/7/2054	1978	3.35 (8.29)	1.00	1996
HS (D) KB 311/76 PT 14, Mukim Buloh Poh Daerah Kadok Jajahan Kota Bharu	Warehouse	Lease 6/7/2054	1978	0.89 (2.20)	1.00	1996
PN 2204, Lot 2305 Mukim Langgar Daerah Jajahan Kota Bharu	Office	Sub-lease 6/7/2054	1994	0.26 (0.63)	1.00	1996
PN 2205, Lot 2052 Mukim Lundang Daerah Jajahan Kota Bharu	Office	Lease 6/7/2054	1994	0.59 (1.46)	1.00	1996
PT 798 (Part of Lot 1908, 1140 & Lot 2304) Mukim Langgar Daerah Kubang Kerian Jajahan Kota Bharu	Office	Lease 6/7/2054	1994	0.49 (1.21)	1.00	1996
PN 1831, Lot 1736 Mukim Chekli Daerah Beta Jajahan Kota Bharu	Vacant land	Lease 6/7/2054	-	5.54 (13.69)	1.00	1996
HS (D) 38/99 PT 4154 Pengkalan Chepa Jajahan Kota Bharu	Office Building & CPP	Lease 11/1/2098	2003	14117 sq.m.	647,387.89	2005
SABAH						
CL 015424549 Lot 85, Likas Daerah Kota Kinabalu	Warehouse and Office	Sub-lease 6/7/2034	1981	3.06 (7.55)	1.00	1996

Location	Existing Use	Tenure & Expiry Date	Year of Building	Land Area Hectare (ACRE)	Net Book Value as at 31 Dec 2005 (RM)	Date of Acquisition
TL 057504613 LA 80050271 Kudat Town Daerah Kudat	Warehouse	Sub-lease 6/7/2054	1981	0.81 (2.00)	1.00	1996
TL 207524098 Lot 12, Ranca-Ranca Wilayah Persekutuan Labuan	Warehouse	Sub-lease 6/7/2042	1981	0.89 (2.20)	1.00	1996
TL 117506671 LA 80113755 New Wharf Road Daerah Lahat Datu	Warehouse	Sub-lease 6/7/2054	1992	0.77 (1.91)	1.00	1996
TL 027500689 Lot 6628, Papar Daerah Papar	Warehouse	Sub-lease 6/7/2015	1970	0.13 (0.33)	1.00	1996
CL 105398990 LA 82100053 Bt 3 Apas Road Daerah Tawau	Warehouse	Sub-lease 6/7/2054	1981	2.38 (5.87)	1.00	1996
TL 077552731 Sandakan Daerah Sandakan	Warehouse	Sub-lease 6/7/2042	1981	1.14 (2.82)	1.00	1996
PT 99030951 Lot 2259 Kota Belud Daerah Kota Belud	Warehouse	Sub-lease 6/7/2054	1970	0.82 (2.02)	1.00	1996
PT 99040489 (part of PL 13904 & NT 12046) Tuaran Daerah Tuaran	Paddy purchasing centre	Sub-lease 6/7/2054	1992	7.55 (18.64)	1.00	1996
SARAWAK						
State Lease Code No. 323/26/1019 Lot 1019 Blok No. 26 Kimena Land District Bintulu Division	Warehouse	Sub-lease 6/7/2050	1995	1.70 (4.18)	1.00	1996
State Lease G.N No. 499/2, Lot 478 Blok No. 19 Seduan Land District Sibu Division	Warehouse	Sub-lease 6/7/2047	1983	2.67 (6.59)	1.00	1996
State Lease Code No. 122/66/853 Lot 853, Section 66 Kuching Town Land District Kuching Division	Warehouse and office	Sub-lease 31/12/2035	1979	1.84 (4.54)	1.00	1996

Corporate Directory

LOCAL PRODUCTION

BERNAS PRODUCTION SDN BHD (428934-K)

Pejabat Bernas Wilayah Utara
No 10 - 16, Jalan Bandar Darul Aman Jaya 1
Bandar Darul Aman Jaya
06000 Jitra
Kedah
Tel : 04-917 8720
Fax : 04-917 9769

JASMINE RICE MILL (TUNJANG) SDN BHD (19591-K)

Batu 18 ½, Jalan Kodiang
Mukim Padang Perahu
Kubang Pasu
06000 Jitra
Kedah
Tel : 04-9291852
Fax : 04-929 2708

BAN HENG BEE RICE MILL (1952) SDN BHD (2241-W)

Lot 2171, Jalan Bukit Raya
Mukim Bukit Raya
06700 Pendang
Kedah
Tel : 04-759 6620
Fax : 04-759 0264

RICE DISTRIBUTION (PENINSULAR MALAYSIA)

YHL HOLDING SDN BHD (452413-V)

No 39 - 45, Jalan P4/6, Bandar Teknologi Kajang
Batu 18, Jalan Semenyih
43500 Semenyih
Kajang
Selangor
Tel: 03-8724 3368/03-8724 3792
Fax: 03-8724 3763

SYARIKAT FAIZA SDN BHD (247191-D)

No 13A, Jalan Maju Barat
Taman Maju
83000 Batu Pahat
Johor
Tel : 07-434 4999
Fax : 07-434 7666

JASMINE FOOD CORPORATION SDN BHD (162356-H)

Lot No 8, Jalan 25/123
Section 25
40000 Shah Alam
Selangor
Tel : 03-5122 3188
Fax : 03-5122 3288

ERA BAYAM KOTA SDN BHD (472357-P)

Lot PT 4154
Kawasan Perindustrian Pengkalan Chepa II
Padang Tembak
16100 Kota Bharu
Kelantan
Tel : 09-773 0878/5878
Fax : 09-774 7878

SERBA WANGI SDN BHD (280872-A)

Lot 2171, Jalan Bukit Raya
Mukim Bukit Raya
06700 Pendang
Kedah
Tel : 04-759 6620
Fax : 04-759 0264

OEL REALTY HOLDINGS SDN BHD (395528-W)

Lot 54623, Jalan Kuala Kangsar
31200 Ipoh
Perak
Tel : 05-291 5555
Fax : 05-291 2233

EDARAN BERNAS NASIONAL SDN BHD (390534-M)

Level 13A, Wisma Tun Sambanthan
No 2, Jalan Sulaiman
50000 Kuala Lumpur
Tel : 03-2711 2929
Fax : 03-2711 2807

RICE DISTRIBUTION (EAST MALAYSIA)

BERAS CORPORATION SDN BHD (480493-H)

Lot 85, Kompleks Perindustrian
SEDCO Likas
Beg Berkunci 162
88995 Kota Kinabalu
Sabah
Tel : 088-427 511/427 510
Fax : 088-427 522

SAZARICE SDN BHD (385374-U)

Lot 5, Likas Baru
Batu 5 ½, Jalan Tuaran
P.O. Box 579
88856 Likas
Kota Kinabalu
Sabah
Tel : 088-433 586/640
Fax : 088-433 539/476

HASKARICE FOOD SDN BHD (437804-P)

Lot 895, Jalan Belian
93661 Kuching
Sarawak
Tel : 082-334 422
Fax : 082-349 785

BAN SAY TONG SDN BHD (100912-T)

No 2, Jalan Pedada
P.O. Box 28
97007 Bintulu
Sarawak
Tel : 086-333 106
Fax : 086-335 002/317

HOCK CHIONG FOODSTUFF SDN BHD (443434-K)

No 17, Jalan Bank
96000 Sibu
Sarawak
Tel : 084-330 476
Fax : 084-330 964

TONG SENG HUAT RICE TRADING SDN BHD (439863-H)

58A, Merbau Road
98000 Miri
Sarawak
Tel : 085-431 037
Fax : 085-415 643

LIANSIN TRADING SDN BHD (516882-W)

Lot 2041, Section 66
Jalan Kisar, Bintawa Industrial Estate
93450 Kuching
Sarawak
Tel : 082-333 555/335 558
Fax : 082-335 599

BY-PRODUCTS OPERATION**BERNAS FEEDSTUFF SDN BHD (464527-U)**

Lot 1835, 1st Floor
Jalan Hospital, Paya Bemban
15200 Kota Bharu
Kelantan
Tel : 09-743 9000
Fax : 09-743 1122

OVERSEAS VENTURES**BERNAS CHINA CORPORATION (331666)**

Room 1102, Office Tower B
Soho New Town
No 88, Jiangle Road
Chao Yong District
Beijing 10022
China
Tel : 00-86-10-8580 0765
Fax : 00-86-10-8580 0767

IRFAN NOMAN BERNAS (Pvt) LIMITED (K07127)

QNB House, Bahria Complex-1
Ground Floor
M.T. Khan Road
Karachi – 74000
Pakistan
Tel : 00-9221-561 0132
Fax : 00-9221-561 0226

ASIAN PENINSULA CORPORATION LIMITED (1292/2540)

18th Floor, Unit AD, Sethiwan Tower
139, Pan Road, Silom
Bangkok
10500 Thailand
Tel : 00-662-266 6025 / 266 6028
Fax : 00-662-266 6029

OTHER BUSINESS**BERNAS LOGISTICS SDN BHD (386337-M)**

Level 2-3, 1st Floor
Wisma Kontena
81700 Pasir Gudang
Johor
Tel : 07-253 5888
Fax : 07-251 0291

KEONGCO HOLDINGS SDN BHD (501026-U)

Lot 680
Local Industrial Estate
Pengkalan Chepa
16100 Kota Bharu
Kelantan
Tel : 09-773 0294
Fax : 09-773 0313

GARDENIA BAKERIES (KL) SDN BHD (139386-X)

Lot 3, Jalan Pelabur 23/1
40300 Shah Alam
Selangor
Tel : 03-5542 3228
Fax : 03-5542 3213

COSMO RESTAURANT SDN BHD (296009-T)

No 2, 2nd Floor
Jalan Bangsar Utama 9
Bangsar Utama
59000 Kuala Lumpur
Tel : 03-2287 0800
Fax : 03-2287 0501

UNITED MALAYAN FLOUR (1996) SDN BHD (216546-T)

4826, Jalan Permatang Pauh
13400 Butterworth
Pulau Pinang
Tel : 04-3332 499
Fax : 04-3317 557



PADIBERAS NASIONAL BERHAD (295514-U)
(Incorporated in Malaysia)

CDS Account No.
Number of shares held

Proxy Form

I/We _____ NRIC/Company No _____ of _____
being a member of PADIBERAS NASIONAL BERHAD, hereby
appoint _____ NRIC No _____ of _____ or
failing him, _____ NRIC No _____ of _____
or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the 12th Annual General Meeting of the
Company to be held at Dewan Bunga Tanjung, Kelab Shah Alam Selangor, Persiaran Istana Kayangan, Section 13, 40740 Shah Alam,
Selangor Darul Ehsan on 27 June 2006 at 10.00 am, and at any adjournment thereof. My/Our proxy is to vote as indicated below:-

NO.	RESOLUTIONS	FOR	AGAINST
1.	To receive and adopt the Audited Accounts for the financial year ended 31 December 2005 together with the Report of the Directors and Auditors thereon. Resolution 1		
2.	To approve the payment of a final dividend of 4% tax exempt for the financial year ended 31 December 2005. Resolution 2		
3.	To approve the payment of Directors' fees of RM381,250.00 for the financial year ended 31 December 2005. Resolution 3		
4.	To re-elect the following Directors who retire in accordance with the Articles of Association of the Company: <u>Article 110(2)</u> Bakry Bin Hamzah Syed Abu Bakar Bin S Mohsin Almohdzar <u>Article 115</u> Datuk Azizan Bin Ayob Datuk Mohd Hashim Bin Hassan Resolution 4 Resolution 5 Resolution 6 Resolution 7		
5.	To re-appoint Messrs Hanafiah Raslan & Mohamad as Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 8		
6.	As special business, to consider and if thought fit, to pass the following Ordinary Resolution:- I. Authority to Directors to Issue Shares Pursuant To Section 132D of the Companies Act, 1965 Resolution 9		

(Please indicate with "X" how you wish to cast your vote)

Signed this _____ day of _____ 2006.

Signature/Seal _____

Notes:

- A member of the Company is entitled to appoint a proxy to attend and vote in his stead and a proxy may but need not be a member of the Company. Where a member appoints one or more proxies (subject to a maximum of two (2) proxies), the member must specify in each proxy form the proportion of the member's shareholdings to be presented by each proxy.
- Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to credit of the said securities account.
- The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of its attorney.
- The instrument appointing a proxy must be deposited at the registered office of the Company of Level 19, CP Tower, No 11, Section 16/11, Jalan Damansara, 46350 Petaling Jaya, Selangor not less than forty eight (48) hours before the time for holding the meeting or any adjournment thereof.

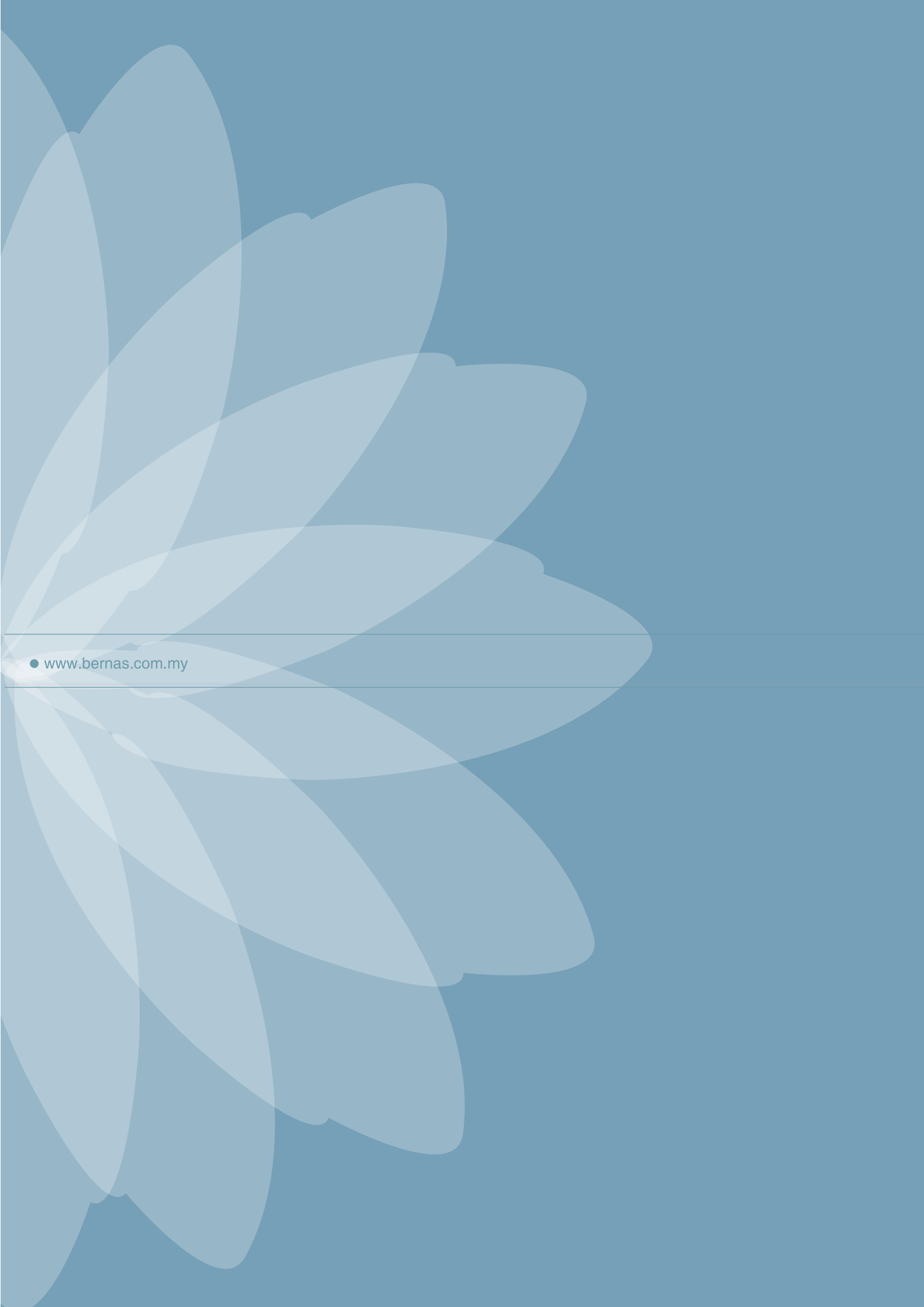
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Company Secretary
PADIBERAS NASIONAL BERHAD

Level 19, CP Tower
No 11, Section 16/11
Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan

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● www.bernas.com.my



BERNAS

PADIBERAS NASIONAL BERHAD
(Company No. 295514-U)

ERRATA TO THE ANNUAL REPORT 2005

We wish to inform all Shareholders of the following amendment in the Annual Report 2005:-

1. Note 14. INVESTMENT IN ASSOCIATES (Page 67)

*The Group's share of net assets for the year 2004 should be stated as **RM116,543,000** instead of RM16,543,000.*