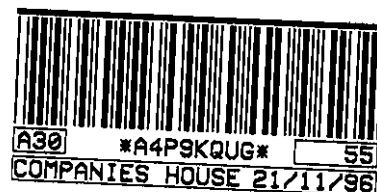


Directors' Report And Audited Accounts

**THE PATALING RUBBER ESTATES,
LIMITED**

30th June, 1996

166301



THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

DIRECTORS

Abdul Rahman bin Ramli - Chairman
Dr. Radzuan bin Abdul Rahman
Ma'on bin Dalip

SECRETARIES AND AGENTS

Golden Hope Plantations Berhad,
13th Floor, Menara PNB,
No. 201-A, Jalan Tun Razak,
50400 Kuala Lumpur,
Malaysia.

REGISTERED OFFICES

United Kingdom:
One Great Tower Street,
London EC3R 5AH.

Malaysia:
13th Floor, Menara PNB,
No. 201-A, Jalan Tun Razak,
50400 Kuala Lumpur.

REGISTERED NUMBER

166301 England

AUDITORS

Ernst & Young,
401, Kompleks Antarabangsa,
Jalan Sultan Ismail,
50250 Kuala Lumpur,
Malaysia.

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Seventy-Sixth Annual General Meeting of THE PATALING RUBBER ESTATES, LIMITED will be held at the Board Room, 13th Floor, Menara PNB, No. 201-A, Jalan Tun Razak, 50400 Kuala Lumpur on 17th September, 1996 at 8.10 a.m. for the following purposes:

1. To receive and consider the Report of the Directors, the Audited Accounts for the year ended 30th June, 1996 and the Report of the Auditors.
2. To declare a dividend.
3. To appoint Auditors.
4. To transact any other ordinary business.

By Order of the Board,

GOLDEN HOPE PLANTATIONS BERHAD
Secretaries
13th Floor, Menara PNB,
No. 201-A, Jalan Tun Razak,
50400 Kuala Lumpur,
Malaysia.
30th August, 1996

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not also be a member but, except in the case of a proxy for a corporate member, is not entitled to vote except on a poll.

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Report and the Audited Accounts for the year ended 30th June, 1996.

The accounts are presented in Malaysian Ringgit. The Directors are of the opinion that as the Company is principally operating in Malaysia, the accounts should reflect its functional currency.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company carries on the business of the production and manufacture of rubber, palm oil, palm kernel, cocoa and copra. The Company also manufactures, on a toll processing basis, refined palm oil, which is exported. There have been no significant changes in the nature of these activities during the year.

The Company recorded a turnover of RM120 million for the year ended 30th June, 1996 which was a decrease of RM5 million or 4% compared to RM125 million achieved in the previous financial year. Lower selling prices mainly contributed to this decline. In view of the lower turnover, profit declined by RM1 million or 2% from last year's RM51 million to RM50 million.

Production of all crops except copra, is estimated to increase on account of higher yields. However, commodity prices are expected to be lower than those achieved in the previous financial year and this will offset the higher sales volume, profit for the current year is therefore anticipated to be slightly lower than last year's.

ACCOUNTS

	RM
Profit on ordinary activities before taxation	49,861,190
Taxation	(14,397,084)
Profit on ordinary activities after taxation	35,464,106
Extraordinary item	12,598,620
Dividend	48,062,726
	(22,702,922)
Retained profit for the year	25,359,804

DIVIDENDS

A final dividend of 130 sen per share of 10 pence each (less tax) amounting to RM29,513,798 proposed in the previous financial year and dealt with in the previous Directors' Report was paid by the Company during the current financial year.

The Directors have proposed a final dividend of 100 sen per share of 10 pence each (less tax) amounting to RM22,702,922 to be paid on 28th October, 1996 for the year ended 30th June, 1996.

FIXED ASSETS

Capital expenditure on buildings, equipment, etc. amounted to RM4,138,553 and RM1,227,183 was spent on the planting programme, including upkeep of immature areas.

The total amount in respect of area cut-out and replanting expenditure charged to the profit and loss account were RM2,275,126 and RM2,180,575 respectively.

EXECUTIVE EMPLOYEES' SHARE OPTION SCHEME

The main features of the Executive Employees' Share Option Scheme of Golden Hope Plantations Berhad (Golden Hope), an intermediate holding company, are as follows:-

- (a) Eligible executive employees are those executive employees and full-time Directors of Golden Hope, its subsidiary companies incorporated in Malaysia and associated companies incorporated in Malaysia in which Golden Hope holds 50% of the issued ordinary share capital, who are confirmed and with at least 12 months of continuous service in the Group prior to the date of offer.
- (b) The aggregate number of ordinary shares to be issued under the scheme shall not exceed 5% of the total issued share capital of Golden Hope at any point in time during the existence of the scheme.
- (c) The option is for a period of five years commencing from the date of offer of the option.
- (d) The options may be exercised in full or in lesser number of shares provided that the number shall be in multiples of 1,000 shares.
- (e) The price at which the eligible employees are entitled to exercise options shall be the average of the mean market quotation of the shares as shown in the daily official list issued by the Kuala Lumpur Stock Exchange for the five trading days preceding the date of offer.

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:

Abdul Rahman bin Ramli - Chairman
Dr. Radzuan bin Abdul Rahman
Ma'on bin Dalip

At the end of the financial year, the following Directors had an interest in the shares of Golden Hope:-

	At <u>1.7.95</u>	<u>Number of shares of RM1 each</u>		At <u>30.6.96</u>
		<u>Bought</u>	<u>Sold</u>	
		<u>During the financial year</u>		
<u>Golden Hope Plantations Berhad</u>				
Abdul Rahman bin Ramli	150,000	-	-	150,000
Dr. Radzuan bin Abdul Rahman	100,000	-	-	100,000
Ma'on bin Dalip	100,000	-	-	100,000

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

By order of the Board,

A handwritten signature in black ink, appearing to read 'Norlin Binti Abdul Samad', with a small horizontal line drawn below the end of the signature.

NORLIN BINTI ABDUL SAMAD
Secretary
16th August, 1996

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF THE PATALING RUBBER ESTATES, LIMITED

We have audited the accounts on pages 8 to 17 which have been prepared under the historical cost convention modified by the revaluation of freehold estate property and on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 6, the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

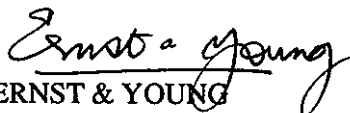
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 30th June, 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


ERNST & YOUNG
Registered Auditor
Chartered Accountants
Kuala Lumpur, Malaysia
16th August, 1996

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1996

	Note	<u>1996</u> RM	<u>1995</u> RM
TURNOVER	3	119,714,695	125,270,453
Cost of sales		(56,382,668)	(57,643,293)
GROSS PROFIT		63,332,027	67,627,160
Administrative expenses		(15,337,633)	(18,472,320)
		47,994,394	49,154,840
Other operating income		312,197	203,689
OPERATING PROFIT	4	48,306,591	49,358,529
Investment income	6	1,554,599	1,339,442
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		49,861,190	50,697,971
Taxation	7	(14,397,084)	(14,990,000)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		35,464,106	35,707,971
Extraordinary item	8	12,598,620	34,878
PROFIT FOR THE YEAR	17	48,062,726	35,742,849
Dividend	9	(22,702,922)	(29,513,798)
RETAINED PROFIT FOR THE YEAR		25,359,804	6,229,051

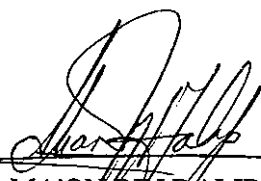
There are no recognised gains and losses other than the profit for the year.

The notes on pages 10 to 17 form part of the accounts.

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

BALANCE SHEET AS AT 30TH JUNE, 1996

	Note	<u>1996</u> RM	<u>1995</u> RM
FIXED ASSETS			
Tangible fixed assets	10	320,932,978	321,454,243
Investments	11	6,604,653	6,604,653
		<u>327,537,631</u>	<u>328,058,896</u>
CURRENT ASSETS			
Stocks	12	5,387,978	3,913,935
Debtors	13	390,003,341	341,060,044
Cash and bank balances		334,940	203,143
		<u>395,726,259</u>	<u>345,177,122</u>
CREDITORS			
Amounts falling due within one year	14	317,099,570	291,752,509
NET CURRENT ASSETS			
		<u>78,626,689</u>	<u>53,424,613</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>406,164,320</u>	<u>381,483,509</u>
PROVISION FOR LIABILITIES AND CHARGES			
	15	4,994,630	5,673,623
		<u>401,169,690</u>	<u>375,809,886</u>
CAPITAL AND RESERVES			
Share capital	16	27,803,624	27,803,624
Revaluation reserve	17	224,356,097	224,605,401
Profit and loss account	17	149,009,969	123,400,861
		<u>401,169,690</u>	<u>375,809,886</u>


MA'OM BIN DALIP
Director

Kuala Lumpur, Malaysia
16th August, 1996

The notes on pages 10 to 17 form part of the accounts.

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

NOTES TO THE ACCOUNTS - 30TH JUNE, 1996

1. BOOKS OF ACCOUNT

The books of account of the Company are maintained in Malaysian Ringgit.

2. ACCOUNTING POLICIES

(a) Basis of Accounting

The accounts are prepared under the historical cost convention modified to include the revaluation of certain estates, and in accordance with applicable accounting standards.

(b) Tangible Fixed Assets and Depreciation

Certain estates are stated at 1982 valuation, with subsequent additions stated at cost. All other fixed assets are stated at cost less accumulated depreciation. The depreciation rates are as follows:

- (i) Estates are on freehold and long leasehold land. No provision is made for amortisation of estates.

Expenditure on new planting and upkeep of trees to maturity is capitalised.

Replanting expenditure and planted area cut-out are charged to the profit and loss account.

- (ii) Buildings, equipment, etc. are depreciated on a straight line basis to write-off their cost over the period of their estimated useful lives.

The periods applied are as follows :

Buildings	10 to 25 years
Machinery and Equipment	7 to 10 years
Vehicles	3 years
Furniture	10 to 15 years

(c) Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Cost of produce stocks comprises ex-estate costs and a proportion of head office costs, determined on an average basis. Cost of stores and materials is determined on a weighted average basis.

(d) Foreign currencies

Transactions in foreign currencies are recorded in Malaysian Ringgit at rates ruling at transaction dates or at contracted rates where applicable. Outstanding balances at the balance sheet date are reported at rates then ruling or at contracted rates. All exchange differences arising therefrom are included in the profit and loss account.

2. ACCOUNTING POLICIES (CONTD.)

(e) Deferred Taxation

Deferred taxation is provided on the liability method in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts, except to the extent that the deferral can be expected to continue for the foreseeable future.

(f) Research and Development

Expenditure on research and development is written off in the profit and loss account in the year in which it is incurred.

(g) Receipts from Replanting Cess Refunds

Credit is taken only for sums received during the year.

(h) Retirement Benefits

Contributions to the employees' statutory provident fund are provided for as and when they arise. Other retirement benefits are charged to the profit and loss account as and when paid.

(i) Extraordinary Items

Extraordinary items are those which are derived from events or transactions outside the ordinary activities of the business and which are expected not to recur frequently. Extraordinary items are stated after attributable taxation and minority interests.

Surpluses on the disposal of properties, including those occasioned by compulsory government acquisitions, are included as extraordinary items.

3. TURNOVER

Turnover represents the invoiced value of plantation produce and refined palm oil sold.

4. OPERATING PROFIT

	<u>1996</u> RM	<u>1995</u> RM
This is arrived at after charging/(crediting):		
Planted area cut-out	2,275,126	2,187,978
Replanting expenditure	2,180,575	632,591
Depreciation (Note 10)	3,872,070	3,950,980
Auditors' remuneration	30,000	30,000
Management fee paid to Golden Hope Plantations Berhad	6,869,002	7,040,695
(Profit)/loss on disposal of tangible fixed assets	(95,231)	45,815
Rental income	(37,333)	(45,380)

5. EMPLOYEES

	<u>1996</u> RM	<u>1995</u> RM
Staff costs during the year:		
Wages and salaries	20,707,560	17,629,365
Social security and pension costs	2,268,172	2,127,329
	<u>22,975,732</u>	<u>19,756,694</u>

The average weekly number of persons employed during the year was:

	<u>1996</u> Numbers	<u>1995</u> Numbers
Management	42	39
Non-executive staff	148	140
Estate workers	2,454	2,245
	<u>2,644</u>	<u>2,424</u>

6. INVESTMENT INCOME

	<u>1996</u> RM	<u>1995</u> RM
Dividends (gross) from investments:		
Quoted shares:		
Malaysia	681,583	577,556
Unquoted shares:		
Group companies	873,016	761,886
	<u>1,554,599</u>	<u>1,339,442</u>

7. TAXATION

Malaysian taxation based on results for the year:

- Current	15,076,077	16,270,000
- Deferred	(678,993)	(1,280,000)
	<u>14,397,084</u>	<u>14,990,000</u>

8. EXTRAORDINARY ITEM

Surplus on disposal of estate land	<u>12,598,620</u>	<u>34,878</u>
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9. DIVIDEND

	<u>1996</u>		<u>1995</u>	
	<u>Sen per share (Gross)</u>	<u>RM (Net)</u>	<u>Sen per share (Gross)</u>	<u>RM (Net)</u>
Proposed final dividend to be paid on 13th October, 1996	100	22,702,922	130	29,513,798

The dividend is stated net of Malaysian income tax at 30% (1995 : 30%).

10. TANGIBLE FIXED ASSETS

	<u>Estates RM</u>	<u>Buildings RM</u>	<u>Equipment, etc. RM</u>	<u>Total RM</u>
Cost or Valuation				
At beginning of year	291,175,430	50,807,508	57,629,576	399,612,514
Additions	1,227,183	538,531	3,600,022	5,365,736
Disposals	(2,111,893)	(174,108)	(401,138)	(2,687,139)
Intercompany transfers	-	386,993	240,002	626,995
At end of year	290,290,720	51,558,924	61,068,462	402,918,106
Depreciation				
At beginning of year	-	31,106,804	47,051,467	78,158,271
Charge for the year	-	1,766,806	2,105,264	3,872,070
Disposals	-	(174,103)	(399,349)	(573,452)
Intercompany transfers	-	305,655	222,584	528,239
At end of year	-	33,005,162	48,979,966	81,985,128
Net Book Value				
At 30th June, 1996	290,290,720	18,553,762	12,088,496	320,932,978
At 30th June, 1995	291,175,430	19,700,704	10,578,109	321,454,243
Depreciation charge for 1995	-	1,777,331	2,173,649	3,950,980

10. TANGIBLE FIXED ASSETS (CONTD.)

	<u>Estates</u> RM	<u>Buildings</u> RM	<u>Equipment, etc.</u> RM	<u>Total</u> RM
Analysis of cost and valuation:				
At 30th June, 1996:				
At cost	32,307,533	51,558,924	61,068,462	144,934,919
At 1982 valuation	257,983,187	-	-	257,983,187
	<u>290,290,720</u>	<u>51,558,924</u>	<u>61,068,462</u>	<u>402,918,106</u>
At 30th June, 1995:				
At cost	31,532,720	50,807,508	57,629,576	139,969,804
At 1982 valuation	259,642,710	-	-	259,642,710
	<u>291,175,430</u>	<u>50,807,508</u>	<u>57,629,576</u>	<u>399,612,514</u>
			<u>1996</u> RM	<u>1995</u> RM
Estates comprise:-				
Land:				
- Freehold			181,723,060	183,242,997
- Long leasehold			18,957,302	18,957,302
Development expenditure			89,610,358	88,975,131
			<u>290,290,720</u>	<u>291,175,430</u>

11. INVESTMENTS

Group Companies:

Unquoted shares, at cost	6,276,618	6,276,618
Quoted in Malaysia, at cost	328,035	328,035
(Market valuation - RM19,712,354; 1995 - RM24,579,602)		
	<u>6,604,653</u>	<u>6,604,653</u>

Details of investments in which the Company holds more than 10% of the nominal value of any class of share capital are as follows:-

<u>Company</u>	<u>Country of incorporation</u>	<u>Percentage held</u>	
		<u>1996</u> %	<u>1995</u> %
Golden Hope Latex Sdn. Bhd.	Malaysia	35.8	35.8
Sabah Plantations Limited	England	10.6	10.6
Chermang Development (Malaya) Sdn. Bhd.	Malaysia	10.4	10.4

12. STOCKS

	<u>1996</u> RM	<u>1995</u> RM
Produce stocks	3,663,875	2,555,766
Stores and materials	1,724,103	1,358,169
	<u>5,387,978</u>	<u>3,913,935</u>

13. DEBTORS

Trade	6,065,068	3,741,726
Others	1,814,570	1,541,154
Amounts owing by group companies	381,699,492	335,359,344
Dividends receivable	424,211	417,820
	<u>390,003,341</u>	<u>341,060,044</u>

14. CREDITORS

Amounts falling due within one year:

Trade	1,230,516	1,049,438
Others	7,807,983	5,701,141
Social security and pension costs	515,585	453,910
Sundry accruals	3,709,772	5,554,517
Amount owing to holding company	206,811,876	177,298,078
Amounts owing to group companies	35,360,336	33,062,099
Taxation	38,960,580	39,119,528
Proposed dividend	22,702,922	29,513,798
	<u>317,099,570</u>	<u>291,752,509</u>

15. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

At beginning of year	5,673,623	6,953,623
Write-back during the year	(678,993)	(1,280,000)
At end of year	<u>4,994,630</u>	<u>5,673,623</u>

Deferred taxation arising from:

- capital allowances	5,613,255	4,498,757
- other timing differences	(618,625)	1,174,866
	<u>4,994,630</u>	<u>5,673,623</u>

The revaluation of estates does not constitute a timing difference, and therefore, no provision for deferred taxation in this respect has been made.

16. SHARE CAPITAL

	<u>1996</u> £	<u>1995</u> £
Authorised: 40,000,000 shares of 10 pence each	4,000,000	4,000,000
	<u>1996</u> RM	<u>1995</u> RM
Issued and fully paid: 32,432,745 shares of 10 pence each	27,803,624	27,803,624

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<u>Share Capital</u> RM	<u>Revaluation Reserve</u> RM	<u>Profit and Loss Account</u> RM	<u>Total</u> RM
At 1st July, 1994	27,803,624	225,207,826	116,569,385	369,580,835
Profit for the year	-	-	35,742,849	35,742,849
Dividend	-	-	(29,513,798)	(29,513,798)
Transfer upon realisation of revalued assets	-	(602,425)	602,425	-
At 1st July, 1995	27,803,624	224,605,401	123,400,861	375,809,886
Profit for the year	-	-	48,062,726	48,062,726
Dividend	-	-	(22,702,922)	(22,702,922)
Transfer upon realisation of revalued assets	-	(249,304)	249,304	-
At 30th June, 1996	27,803,624	224,356,097	149,009,969	401,169,690

Based on the estimated tax credit available, approximately RM23,725,000 of the retained profit is available for distribution by way of dividends without incurring additional tax liability.

18. CAPITAL COMMITMENTS

	<u>1996</u> RM	<u>1995</u> RM
Authorised capital expenditure not provided for in the accounts:		
Contracted for	942,100	-
Not contracted for	14,252,783	9,410,113
	<u>15,194,883</u>	<u>9,410,113</u>

19. SIGNIFICANT RELATED COMPANY TRANSACTIONS

	<u>1996</u> RM	<u>1995</u> RM
The significant related company transactions not disclosed under Note 4 are:		
Sales to group companies	17,062,449	18,547,467
Purchases from group companies	7,095,572	9,786,276
Toll processing fees payable to group companies	3,991,114	3,222,769

20. HOLDING COMPANIES

The holding company is Malaysian Estates PLC, a company incorporated in England. Malaysian Estates PLC is in turn a wholly-owned subsidiary of Golden Hope Plantations Berhad, a company incorporated in Malaysia. The ultimate holding company is Yayasan Pelaburan Bumiputra, a company incorporated in Malaysia, limited by guarantee.