

Directors' Report And Audited Accounts

THE PATALING RUBBER ESTATES, LIMITED

30th June, 1997



Company No: 990707-V

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

DIRECTORS

Abdul Rahman bin Ramli - Chairman
Dato' Abd. Wahab bin Maskan
Dr. Radzuan bin Abdul Rahman
Ma'on bin Dalip

SECRETARY AND AGENT

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-Seventh 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 16th September, 1997 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, 1997 and the Report of the Auditors.
2. To declare a final dividend for the financial year ended 30th June, 1997.
3. To re-appoint Messrs. Ernst & Young as the Company's auditors and to authorise the Directors to fix their remuneration.
4. To transact any other ordinary business of the Company of which due notice has been received.

By Order of the Board,

GOLDEN HOPE PLANTATIONS BERHAD

Secretary
13th Floor, Menara PNB,
No. 201-A, Jalan Tun Razak,
50400 Kuala Lumpur,
Malaysia.
2nd September, 1997

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, 1997.

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 RM99 million for the year ended 30th June, 1997 which was a decrease of RM21 million or 18% compared to RM120 million achieved in the previous financial year. Profit increased by RM263 million or 421% from last year's RM62 million to RM326 million mainly due to the gain on disposal of estate land during the year.

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 before taxation	325,521,775
Taxation	(12,575,236)
Profit after taxation	312,946,539
Dividend	(27,243,506)
Retained profit for the year	285,703,033

DIVIDENDS

A final dividend of 100 sen per share of 10 pence each (less tax) amounting to RM22,702,922 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 120 sen per share of 10 pence each (less tax) amounting to RM27,243,506 to be paid on 6th October, 1997 for the year ended 30th June, 1997.

FIXED ASSETS

Capital expenditure on buildings, equipment, etc. amounted to RM4,553,447 and RM1,845,687 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 was RM5,480,946.

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
Dato' Abd. Wahab bin Maskan
Dr. Radzuan bin Abdul Rahman
Ma'on bin Dalip

(Appointed on 2.8.97)

At the end of the financial year, the following Directors had interests in the shares of Golden Hope Plantations Berhad:-

	At <u>1.7.96</u>	<u>Number of shares of RM1 each</u>		At <u>30.6.97</u>
		<u>Bought</u> <u>During the financial year</u>	<u>Sold</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

Company No: 990707-V

AUDITORS

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

By order of the Board,



NORLIN BINTI ABDUL SAMAD

Secretary

19th August, 1997

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 confirm that the accounts comply with the above requirements.

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.

Company No: 990707-V

**REPORT OF THE AUDITORS TO THE MEMBERS OF
THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)**

We have audited the accounts on pages 8 to 18 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.

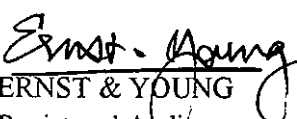
Basis of opinion

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, 1997 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
19th August, 1997

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1997

	Note	<u>1997</u> RM	<u>1996</u> RM
TURNOVER	3	98,645,655	119,714,695
Cost of sales		(54,758,889)	(56,382,668)
GROSS PROFIT		43,886,766	63,332,027
Administrative expenses		(16,002,538)	(15,337,633)
		27,884,228	47,994,394
Other operating income		2,689,093	312,197
OPERATING PROFIT	4	30,573,321	48,306,591
Investment income	6	1,732,664	1,554,599
Exceptional item	7	293,215,790	12,598,620
PROFIT BEFORE TAXATION		325,521,775	62,459,810
Taxation	8	(12,575,236)	(14,397,084)
PROFIT AFTER TAXATION		312,946,539	48,062,726
Dividend	9	(27,243,506)	(22,702,922)
RETAINED PROFIT FOR THE YEAR		285,703,033	25,359,804

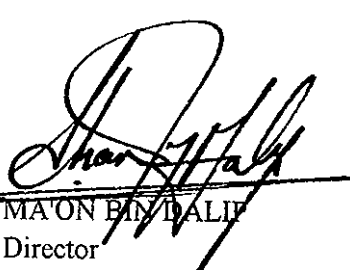
There are no recognised gains and losses other than the profit for the year.

The notes on pages 10 to 18 form part of the accounts.

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

BALANCE SHEET AS AT 30TH JUNE, 1997

	Note	<u>1997</u> RM	<u>1996</u> RM
FIXED ASSETS			
Tangible fixed assets	10	227,397,475	320,932,978
Investments	11	6,604,653	6,604,653
		<u>234,002,128</u>	<u>327,537,631</u>
CURRENT ASSETS			
Stocks	12	9,099,216	5,387,978
Debtors	13	790,735,788	390,003,341
Cash and bank balances		26,188	334,940
		<u>799,861,192</u>	<u>395,726,259</u>
CREDITORS			
Amounts falling due within one year	14	342,983,614	317,099,570
NET CURRENT ASSETS			
		<u>456,877,578</u>	<u>78,626,689</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>690,879,706</u>	<u>406,164,320</u>
PROVISION FOR LIABILITIES AND CHARGES			
	15	4,006,983	4,994,630
		<u>686,872,723</u>	<u>401,169,690</u>
CAPITAL AND RESERVES			
Share capital	16	27,803,624	27,803,624
Revaluation reserve	17	150,538,293	224,356,097
Profit and loss account	17	508,530,806	149,009,969
		<u>686,872,723</u>	<u>401,169,690</u>


MA'ON BIN DALIP
Director

Kuala Lumpur, Malaysia
19th August, 1997

The notes on pages 10 to 18 form part of the accounts.

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

NOTES TO THE ACCOUNTS - 30TH JUNE, 1997

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.

- (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 are determined on a weighted average basis.

2. ACCOUNTING POLICIES (CONTD.)

(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.

(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. Where such timing differences result in net deferred tax benefits, such benefits are not accounted for.

(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.

3. TURNOVER

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

4. OPERATING PROFIT

	<u>1997</u> RM	<u>1996</u> RM
This is arrived at after charging/(crediting):		
Planted area cut-out	3,578,044	94,551
Replanting expenditure	1,902,901	2,180,575
Depreciation (Note 10)	3,988,435	3,872,070
Auditors' remuneration	30,000	30,000
Management fee paid to Golden Hope Plantations Berhad	6,763,744	6,869,002
Loss/(profit) on disposal of tangible fixed assets	72,295	(95,231)
Rental income	(33,489)	(37,333)
Interest income	(575,004)	-

5. EMPLOYEES

Staff costs during the year:

Wages and salaries	20,775,815	20,707,560
Social security and pension costs	2,069,843	2,268,172
	22,845,658	22,975,732

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

	<u>1997</u> Numbers	<u>1996</u> Numbers
Management	53	42
Non-executive staff	207	148
Estate workers	2,329	2,454
	2,589	2,644

6. INVESTMENT INCOME

	<u>1997</u> RM	<u>1996</u> RM
Dividends (gross) from investments:		
Quoted shares:		
Malaysia	803,294	681,583
Unquoted shares:		
Group companies	929,370	873,016
	1,732,664	1,554,599

7. EXCEPTIONAL ITEM

	<u>1997</u> RM	<u>1996</u> RM
Surplus on disposal of estate land net of Real Property Gains Tax	293,215,790	12,598,620

The Company has opted for early adoption of International Accounting Standard No.8 and the comparative figures have been restated to conform with the current year's presentation.

8. TAXATION

	<u>1997</u> RM	<u>1996</u> RM
Malaysian taxation based on results for the year :		
- current	13,562,883	15,076,077
- deferred	(987,647)	(678,993)
	<u>12,575,236</u>	<u>14,397,084</u>

The effective tax rate is lower than the statutory tax rate mainly due to the surplus on disposal of estate land which is not subject to income tax.

9. DIVIDEND

	<u>1997</u>		<u>1996</u>	
	Sen <u>per share</u> (Gross)	RM (Net)	Sen <u>per share</u> (Gross)	RM (Net)
Proposed final dividend to be paid on 6th October, 1997	120	27,243,506	100	22,702,922

The dividend is stated net of Malaysian income tax at 30% (1996 : 30%).

10. TANGIBLE FIXED ASSETS

	<u>Estates</u> RM	<u>Buildings</u> RM	<u>Equipment, etc.</u> RM	<u>Total</u> RM
Cost or Valuation				
At beginning of year	290,290,720	51,558,924	61,068,462	402,918,106
Additions	1,845,687	1,543,223	3,010,224	6,399,134
Disposals	(86,774,284)	(35,727,350)	(11,671,866)	(134,173,500)
Intercompany transfers	-	133,650	(285,512)	(151,862)
At end of year	<u>205,362,123</u>	<u>17,508,447</u>	<u>52,121,308</u>	<u>274,991,878</u>

10. TANGIBLE FIXED ASSETS (CONTD.)

	<u>Estates</u> RM	<u>Buildings</u> RM	<u>Equipment, etc.</u> RM	<u>Total</u> RM
Depreciation				
At beginning of year	-	33,005,162	48,979,966	81,985,128
Charge for the year	-	1,708,638	2,279,797	3,988,435
Disposals	-	(28,165,168)	(10,062,047)	(38,227,215)
Intercompany transfers	-	-	(151,945)	(151,945)
At end of year	-	6,548,632	41,045,771	47,594,403
Net Book Value				
At 30th June, 1997	205,362,123	10,959,815	11,075,537	227,397,475
At 30th June, 1996	290,290,720	18,553,762	12,088,496	320,932,978
Depreciation charge for 1996	-	1,766,806	2,105,264	3,872,070
Analysis of cost and valuation:				
At 30th June, 1997:				
At cost	21,196,740	17,508,447	52,121,308	90,826,495
At 1982 valuation	184,165,383	-	-	184,165,383
	205,362,123	17,508,447	52,121,308	274,991,878
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
	290,290,720	51,558,924	61,068,462	402,918,106
Estates comprise:-			<u>1997</u> RM	<u>1996</u> RM
Land:				
- Freehold			125,917,044	181,723,060
- Long leasehold			18,957,302	18,957,302
Development expenditure			60,487,777	89,610,358
			205,362,123	290,290,720

11. INVESTMENTS

	<u>1997</u> RM	<u>1996</u> RM
Group Companies:		
Unquoted shares, at cost	6,276,618	6,276,618
Quoted in Malaysia, at cost	328,035	328,035
(Market valuation - RM24,822,965; 1996 - RM19,712,354)		
	<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>1997</u> %	<u>1996</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>1997</u> RM	<u>1996</u> RM
Produce stocks	7,074,467	3,663,875
Stores and materials	2,024,749	1,724,103
	<u>9,099,216</u>	<u>5,387,978</u>

13. DEBTORS

Trade	4,358,898	6,065,068
Others	2,554,736	1,814,570
Amounts owing by group companies	783,356,396	381,699,492
Dividends receivable	465,758	424,211
	<u>790,735,788</u>	<u>390,003,341</u>

14. CREDITORS

	<u>1997</u> RM	<u>1996</u> RM
Amounts falling due within one year:		
Trade	1,009,443	1,230,516
Others	5,913,898	7,807,983
Social security and pension costs	566,643	515,585
Sundry accruals	4,134,240	3,709,772
Amount owing to holding company	229,514,798	206,811,876
Amounts owing to group companies	37,221,686	35,360,336
Taxation	37,379,400	38,960,580
Proposed dividend	27,243,506	22,702,922
	<u>342,983,614</u>	<u>317,099,570</u>

15. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

At beginning of year	4,994,630	5,673,623
Write-back during the year	(987,647)	(678,993)
At end of year	<u>4,006,983</u>	<u>4,994,630</u>
Deferred taxation arising from:		
- capital allowances	4,715,968	5,613,255
- other timing differences	(708,985)	(618,625)
	<u>4,006,983</u>	<u>4,994,630</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>1997</u> £	<u>1996</u> £
Authorised:		
40,000,000 shares of 10 pence each	<u>4,000,000</u>	<u>4,000,000</u>
	<u>1997</u> RM	<u>1996</u> RM
Issued and fully paid:		
32,432,745 shares of 10 pence each	<u>27,803,624</u>	<u>27,803,624</u>

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, 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 1st July, 1996	27,803,624	224,356,097	149,009,969	401,169,690
Profit for the year	-	-	312,946,539	312,946,539
Dividend	-	-	(27,243,506)	(27,243,506)
Transfer upon realisation of revalued assets	-	(73,817,804)	73,817,804	-
At 30th June, 1997	27,803,624	150,538,293	508,530,806	686,872,723

Based on the estimated tax credit available, approximately RM26,021,000 of the retained profit is available for distribution by way of dividends without incurring additional tax liability.

18. CAPITAL COMMITMENTS

	<u>1997</u> RM	<u>1996</u> RM
Authorised capital expenditure not provided for in the accounts:		
Contracted for	-	942,100
Not contracted for	9,733,944	14,252,783
	<u>9,733,944</u>	<u>15,194,883</u>

19. SIGNIFICANT RELATED COMPANY TRANSACTIONS

The significant related company transactions not disclosed under Note 4 are:

Sales to group companies	15,341,777	17,062,449
Purchases from group companies	4,288,587	7,095,572
Toll processing fees payable to group companies	4,000,608	3,991,114
Sales of estate land to a related company	396,089,900	-

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.