

166301

Company No: 944111

Directors' Report And Audited Accounts

***THE PATALING RUBBER
ESTATES, LIMITED***

30th June 1998



ERNST & YOUNG

Company No: 990707-V

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

DIRECTORS

Datuk Abdul Rahman bin Ramli - Chairman
Dato' Abd. Wahab bin Maskan
Dr. Radzuan bin Abdul Rahman

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

Company No: 990707-V

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Seventy-Eighth 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 15th September, 1998 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, 1998 and the Report of the Auditors.
2. To declare a final dividend for the financial year ended 30th June, 1998.
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.

13th August, 1998

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 be a member but, except in the case of a proxy for a corporate member, is not entitled to vote except on a poll.

Company No: 990707-V

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, 1998.

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 RM123.53 million for the year ended 30th June, 1998 which was an increase of RM24.88 million or 25.22% compared to RM98.65 million achieved in the previous financial year. This was due mainly to better selling prices although crop production was affected by prolonged drought. Profit decreased by RM277.13 million or 85.13% from last year's RM325.52 million mainly due to the absence of the gain on disposal of estate land recognised in the previous financial year.

Crop production for FFB is anticipated to increase on account of higher yields and more areas coming into maturity. Selling prices are currently higher than those achieved during the previous financial year and if this trend continues, profit for the current year is expected to exceed last year's level.

Company No: 990707-V

ACCOUNTS

	RM
Profit before taxation	48,389,305
Taxation	(13,354,547)
Profit after taxation	35,034,758
Retained profit brought forward	508,530,806
Dividend	543,565,564
	(37,362,522)
Transfer upon realisation of revalued assets	506,203,042
	3,402,109
Retained profit carried forward	509,605,151

DIVIDENDS

A final dividend of 120 sen per share of 10 pence each (less tax) amounting to RM27,243,506 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 160 sen per share of 10 pence each (less tax) amounting to RM37,362,522 to be paid on 13th October, 1998 for the year ended 30th June, 1998.

FIXED ASSETS

Capital expenditure on buildings, equipment, etc. amounted to RM5,280,188 and RM1,928,098 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 RM9,699,934.

Company No: 990707-V

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 Abdul Rahman bin Ramli - Chairman

Dato' Abd. Wahab bin Maskan

Dr. Radzuan bin Abdul Rahman

Ma'on bin Dalip

(Resigned on 1.1.98)

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

	At <u>1.7.97</u>	<u>Number of shares of RM1 each</u>		At <u>30.6.98</u>
		<u>Bought</u> <u>During the financial year</u>	<u>Sold</u>	
<u>Golden Hope Plantations Berhad</u>				
Datuk Abdul Rahman bin Ramli	150,000	-	136,000	14,000
Dato' Abd. Wahab bin Maskan	51,000	-	51,000	-
Dr. Radzuan bin Abdul Rahman	100,000	-	-	100,000

AUDITORS

A resolution for the re-appointment of Ernst & Young as auditors will be proposed at the Annual General Meeting.

By Order of the Board,



NORLIN BINTI ABDUL SAMAD

Secretary

13th August, 1998

Company No: 990707-V

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:

- o select suitable accounting policies and then apply them consistently;
- o make judgements and estimates that are reasonable and prudent; and
- o 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 9 to 20 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 11 and 12.

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.

Company No: 990707-V

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 30th June, 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.

Ernst & Young

ERNST & YOUNG
Registered Auditor

13th August, 1998

Company No: 990707-V

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1998

	Note	<u>1998</u> RM	<u>1997</u> RM
TURNOVER	3	123,532,522	98,645,655
COST OF SALES		(68,696,441)	(54,758,889)
GROSS PROFIT		54,836,081	43,886,766
ADMINISTRATIVE EXPENSES		(14,024,861)	(16,002,538)
		40,811,220	27,884,228
OTHER OPERATING INCOME		3,172,962	2,689,093
OPERATING PROFIT	4	43,984,182	30,573,321
INVESTMENT INCOME	6	2,862,788	1,732,664
EXCEPTIONAL ITEM	7	1,542,335	293,215,790
PROFIT BEFORE TAXATION		48,389,305	325,521,775
TAXATION	8	(13,354,547)	(12,575,236)
PROFIT AFTER TAXATION		35,034,758	312,946,539
RETAINED PROFIT BROUGHT FORWARD		508,530,806	149,009,969
		543,565,564	461,956,508
DIVIDEND	9	(37,362,522)	(27,243,506)
		506,203,042	434,713,002
TRANSFER UPON REALISATION OF REVALUED ASSETS		3,402,109	73,817,804
RETAINED PROFIT CARRIED FORWARD		509,605,151	508,530,806

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

The notes on pages 11 to 20 form part of the accounts.

Company No: 990707-V

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

BALANCE SHEET AS AT 30TH JUNE, 1998

	Note	<u>1998</u> RM	<u>1997</u> RM
FIXED ASSETS			
Tangible fixed assets	10	225,634,987	227,397,475
Investments	11	<u>6,604,653</u>	<u>6,604,653</u>
		232,239,640	234,002,128
CURRENT ASSETS			
Stocks	12	4,870,418	9,099,216
Debtors	13	829,002,812	790,735,788
Cash and bank balances		<u>15,003</u>	<u>26,188</u>
		833,888,233	799,861,192
CREDITORS			
Amounts falling due within one year	14	<u>377,721,433</u>	<u>342,983,614</u>
NET CURRENT ASSETS		<u>456,166,800</u>	<u>456,877,578</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		688,406,440	690,879,706
PROVISION FOR LIABILITIES			
AND CHARGES	15	<u>3,861,481</u>	<u>4,006,983</u>
		<u>684,544,959</u>	<u>686,872,723</u>
CAPITAL AND RESERVES			
Share capital	16	27,803,624	27,803,624
Revaluation reserve	17	147,136,184	150,538,293
Profit and loss account	17	<u>509,605,151</u>	<u>508,530,806</u>
		<u>684,544,959</u>	<u>686,872,723</u>



DR. RADZUAN BIN ABDUL RAHMAN

Director

Kuala Lumpur, Malaysia

13th August, 1998

The notes on pages 11 to 20 form part of the accounts.

Company No: 990707-V

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

NOTES TO THE ACCOUNTS - 30TH JUNE, 1998

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

2. ACCOUNTING POLICIES (CONTD.)

(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.

(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>1998</u> RM	<u>1997</u> RM
This is arrived at after charging/(crediting):		
Planted area cut-out	4,379,218	3,578,044
Replanting expenditure	5,320,716	1,902,901
Depreciation (Note 10)	4,592,014	3,988,435
Auditors' remuneration	30,000	30,000
Management fee payable to Golden Hope Plantations Berhad	5,722,975	6,763,744
Loss on disposal of tangible fixed assets	1,863	72,295
Rental income	(33,520)	(33,489)
Interest income	-	(575,004)
	<u><u> </u></u>	<u><u> </u></u>

5. EMPLOYEES

Staff costs during the year:

Wages and salaries	18,849,448	20,775,815
Social security and pension costs	1,916,844	2,069,843
	<u><u>20,766,292</u></u>	<u><u>22,845,658</u></u>

	<u>1998</u> Numbers	<u>1997</u> Numbers
The average weekly number of persons employed during the year was:		
Management	68	53
Non-executive staff	216	207
Estate workers	2,017	2,329
	<u><u>2,301</u></u>	<u><u>2,589</u></u>

6. INVESTMENT INCOME

	<u>1998</u> RM	<u>1997</u> RM
Dividends (gross) from investments:		
Quoted shares:		
Malaysia	1,216,872	803,294
Unquoted shares:		
Related companies	1,645,916	929,370
	<u>2,862,788</u>	<u>1,732,664</u>

7. EXCEPTIONAL ITEM

Surplus on disposal of estate land net of Real Property Gains Tax	<u>1,542,335</u>	<u>293,215,790</u>
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8. TAXATION

Malaysian taxation based on results for the year:

- Current	13,500,049	13,562,883
- Deferred	-	(987,647)
	<u>13,500,049</u>	<u>12,575,236</u>
Deferred tax written back as a result of change in statutory tax rate	(145,502)	-
	<u>13,354,547</u>	<u>12,575,236</u>

9. DIVIDEND

	<u>1998</u>		<u>1997</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, 1998	160	37,362,522	120	27,243,506

The dividend is stated net of Malaysian income tax at 28% (1997: 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	205,362,123	17,508,447	52,121,308	274,991,878
Additions	1,928,098	1,460,263	3,819,925	7,208,286
Disposals	(4,379,218)	(242,726)	(49,192)	(4,671,136)
Intercompany transfers	-	(14,189)	116,863	102,674
At end of year	202,911,003	18,711,795	56,008,904	277,631,702
Accumulated Depreciation				
At beginning of year	-	6,548,632	41,045,771	47,594,403
Charge for the year	-	1,675,284	2,916,730	4,592,014
Disposals	-	(239,227)	(47,704)	(286,931)
Intercompany transfers	-	-	97,229	97,229
At end of year	-	7,984,689	44,012,026	51,996,715
Net Book Value				
At 30th June, 1998	202,911,003	10,727,106	11,996,878	225,634,987
At 30th June, 1997	205,362,123	10,959,815	11,075,537	227,397,475
Depreciation charge for 1997	-	1,708,638	2,279,797	3,988,435

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, 1998				
At cost	22,907,688	18,711,795	5,008,904	46,628,387
At 1982 valuation	180,003,315	-	-	180,003,315
	<u>202,911,003</u>	<u>18,711,795</u>	<u>5,008,904</u>	<u>226,631,702</u>
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
	<u>205,362,123</u>	<u>17,508,447</u>	<u>52,121,308</u>	<u>274,991,878</u>

	<u>1998</u> RM	<u>1997</u> RM
Estates comprise:		
Land:		
- Freehold	125,917,044	125,917,044
- Long leasehold	18,957,302	18,957,302
Development expenditure	58,036,657	60,487,777
	<u>202,911,003</u>	<u>205,362,123</u>

11. INVESTMENTS

Related companies

Unquoted shares, at cost	6,276,618	6,276,618
Quoted in Malaysia, at cost (Market valuation - RM9,493,736; 1997 - RM24,822,965)	328,035	328,035
	<u>6,604,653</u>	<u>6,604,653</u>

11. INVESTMENTS (CONTD.)

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>1998</u> %	<u>1997</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>1998</u> RM	<u>1997</u> RM
Produce stocks	2,165,236	7,074,467
Stores and materials	2,705,182	2,024,749
	<u>4,870,418</u>	<u>9,099,216</u>

13. DEBTORS

Trade	1,249,390	4,358,898
Others	2,307,093	2,554,736
Amounts owing by related companies	824,451,350	783,356,396
Dividends receivable	994,979	465,758
	<u>829,002,812</u>	<u>790,735,788</u>

14. CREDITORS

	<u>1998</u>	<u>1997</u>
	RM	RM
Amounts falling due within one year:		
Trade	523,386	1,009,443
Others	6,958,044	5,913,898
Social security and pension costs	517,334	566,643
Sundry accruals	9,692,487	4,134,240
Amount owing to holding company	256,758,304	229,514,798
Amounts owing to related companies	42,954,304	37,221,686
Taxation	22,955,052	37,379,400
Proposed dividend	37,362,522	27,243,506
	<u>377,721,433</u>	<u>342,983,614</u>

15. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation		
At beginning of year	4,006,983	4,994,630
Write-back during the year	-	(987,647)
Adjustment for change in statutory tax rate	(145,502)	-
At end of year	<u>3,861,481</u>	<u>4,006,983</u>
Deferred taxation arising from:		
- Capital allowances	4,523,201	4,715,968
- Other timing differences	(661,720)	(708,985)
	<u>3,861,481</u>	<u>4,006,983</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>1998</u> £	<u>1997</u> £
Authorised:		
40,000,000 shares of 10 pence each	<u>4,000,000</u>	<u>4,000,000</u>
	<u>1998</u> RM	<u>1997</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, 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 1st July, 1997	27,803,624	150,538,293	508,530,806	686,872,723
Profit for the year	-	-	35,034,758	35,034,758
Dividend	-	-	(37,362,522)	(37,362,522)
Transfer upon realisation of revalued assets	-	(3,402,109)	3,402,109	-
At 30th June, 1998	<u>27,803,624</u>	<u>147,136,184</u>	<u>509,605,151</u>	<u>684,544,959</u>

Based on the estimated tax credit available, approximately RM18,148,000 of the retained profit is available for distribution by way of dividends without incurring additional tax liability.

18. CAPITAL COMMITMENT

	<u>1998</u>	<u>1997</u>
	RM	RM
Authorised capital expenditure not provided for in the accounts:		
Not contracted for	<u>13,544,708</u>	<u>9,733,944</u>

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions are:

Sales to related companies	82,419,759	15,341,777
Purchases from related companies	7,882,285	4,288,587
Toll processing fees payable to related companies	3,333,809	4,000,608
Sales of estate land to a related company	-	396,089,900
Management fee payable to Golden Hope Plantations Berhad	<u>5,722,975</u>	<u>6,763,744</u>

The Directors of the Company are of the opinion that related party transactions are in the normal course of business and at terms mutually agreed between the parties concerned.

20. HOLDING AND RELATED 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.

Related companies refer to companies within the Golden Hope Plantations Berhad group of companies.