

Company No: 166301

Directors' Report & Audited Accounts

**The Pataling Rubber
Estates, Limited**

30 June 2000



Company No: 166301

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

DIRECTORS

Mohd Zulkifli bin Itam - Chairman
Kasmuri bin Sukardi

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

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

REPORT OF THE DIRECTORS

The Directors present their Report and the Audited Accounts for the year ended 30th June, 2000.

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 ceased operations with effect from 1st July, 1999 due to a group re-organisation, the details of which are disclosed under the Significant Event note on page 3.

ACCOUNTS

	RM
Loss on ordinary activities after tax	(3,135)
Retained profit brought forward	564,011,483
	564,008,348
Dividend	(77,968,320)
	486,040,028
Transfer upon realisation of revalued assets	160,183,704
Retained profit carried forward	<u>646,223,732</u>

DIVIDENDS

Final dividends of RM0.32 per share of 10 pence each (less tax) amounting to RM7,472,504 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 final dividends of RM0.70 per ordinary share of 10 pence each (less tax) amounting to RM16,346,103 and tax exempt dividends of RM1.90 per ordinary share of 10 pence each amounting to RM61,622,216. Both dividends are to be paid on 13th October, 2000 for the year ended 30th June, 2000.

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

SIGNIFICANT EVENT

The Company was involved in an internal reorganisation scheme of its plantation business, announced on the 26th April, 1999 by its intermediate holding company, Golden Hope Plantations Berhad. Under the reorganisation scheme, the plantation land, business and assets were transferred to Golden Hope Plantations (Peninsular) Sdn. Bhd. The consideration for the transfer was determined by reference to the net book value at 30th June, 1999 in exchange for new shares issued at par. Concurrently, these new shares were disposed off to Golden Hope Plantations Berhad at cost. The reorganisation scheme was effective from 1st July, 1999.

The reorganisation scheme was approved by the Foreign Investment Committee (FIC) and Securities Commission (SC) on 19th April, 1999 and 27th April, 1999 respectively. The Inland Revenue Board has granted an exemption from real property gains tax in respect of the entire proposed reorganisation scheme in its letter dated 18th December, 1998.

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:

Mohd Zulkifli bin Itam	- Chairman
Kasmuri bin Sukardi	(Appointed on 19.8.99)
Dr. Radzuan bin Abdul Rahman	(Resigned on 19.8.99)

At the end of the financial year, the following Directors had an interest in the shares of Golden Hope Plantations Berhad (Golden Hope), an intermediate holding company and options over the shares of Golden Hope, pursuant to the Employees' Share Option Scheme ("ESOS") of Golden Hope, the terms of which are disclosed in the Directors' Report of that company:-

	<u>Number of ordinary shares of RM1 each</u>			
	As at 1.7.1999/ Date of appointment	<u>Bought</u> <u>During the financial year</u>	<u>Sold</u>	As at 30.6.2000
<u>Golden Hope Plantations Berhad</u>				
Mohd Zulkifli bin Itam	-	70,000	-	70,000
Kasmuri bin Sukardi	18,000	70,000	(73,000)	15,000

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THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

DIRECTORS (CONTD.)

	<u>Options over ordinary shares of RM1 each</u>			
	As at 1.7.1999/ Date of <u>appointment</u>	<u>Granted</u>	<u>Exercised</u>	As at <u>30.6.2000</u>
Mohd Zulkifli bin Itam	175,000	-	(70,000)	105,000
Kasmuri bin Sukardi	175,000	-	(70,000)	105,000

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

24 APR 2001

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 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: 166301

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 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 10 and 11.

Respective responsibilities of directors and auditors

As described on page 5, the Company's Directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

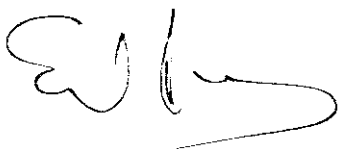
Company No: 166301

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, 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.

A handwritten signature in black ink, appearing to be 'EY' followed by a stylized flourish.

ERNST & YOUNG
Registered Auditor

24 APR 2001

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2000

	Note	DISCONTD. <u>2000</u> RM	DISCONTD. <u>1999</u> RM
TURNOVER	3	-	155,889,981
COST OF SALES		-	(76,186,279)
GROSS PROFIT		-	79,703,702
ADMINISTRATIVE EXPENSES		(3,135)	(15,434,087)
		(3,135)	64,269,615
OTHER OPERATING INCOME		-	2,202,150
OPERATING (LOSS)/PROFIT	4	(3,135)	66,471,765
INVESTMENT INCOME	6	-	599,518
EXCEPTIONAL ITEM			
- Gain on disposal of land	7	-	7,034,692
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		(3,135)	74,105,975
TAXATION	8	-	820,381
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAX		(3,135)	74,926,356
DIVIDENDS	9	(77,968,320)	(7,472,504)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(77,971,455)	67,453,852

There are no recognised gains and losses other than the loss for the year and the realisation of the revaluation surplus arising from the transfer of assets.

The notes on pages 10 to 20 form part of the accounts.

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

BALANCE SHEET AS AT 30TH JUNE, 2000

	Note	<u>2000</u> RM	<u>1999</u> RM
FIXED ASSETS			
Tangible fixed assets	10	-	233,648,392
Investments	11	-	6,604,653
		-	240,253,045
CURRENT ASSETS			
Stocks	12	-	6,575,321
Debtors	13	1,115,929,627	893,497,369
Cash and bank balances		-	292,515
		1,115,929,627	900,365,205
CREDITORS			
Amounts falling due within one year	14	(441,902,271)	(385,746,203)
NET CURRENT ASSETS		<u>674,027,356</u>	<u>514,619,002</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		674,027,356	754,872,047
PROVISION FOR LIABILITIES AND CHARGES	15	-	2,873,236
		<u>674,027,356</u>	<u>751,998,811</u>
CAPITAL AND RESERVES			
Share capital	16	27,803,624	27,803,624
Revaluation reserve	17	-	160,183,704
Profit and loss account	17	646,223,732	564,011,483
EQUITY SHAREHOLDERS' FUNDS		<u>674,027,356</u>	<u>751,998,811</u>

KASMURI BIN SUKARDI

Director

Kuala Lumpur, Malaysia

24 APR 2001

The notes on pages 10 to 20 form part of the accounts.

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

NOTES TO THE ACCOUNTS - 30TH JUNE, 2000

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

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

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) 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.

(e) 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.

(f) Receipts from Replanting Cess Refunds

Credit is taken only for sums received during the year.

(g) 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.

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

3. TURNOVER

Turnover represents the invoiced value of plantation produce and refined palm oil sold and is attributable to discontinued activities.

The Company operates in four principal areas of activities, that of palm products, rubber, cocoa and copra. It operates within one geographical market, Malaysia.

Analysis of turnover by activities:

	<u>2000</u> RM	<u>1999</u> RM
Palm products	-	143,854,522
Rubber	-	10,496,421
Cocoa and copra	-	1,539,038
	<u>-</u>	<u>155,889,981</u>

4. OPERATING (LOSS)/PROFIT

This is arrived at after charging/(crediting):

Auditors' remuneration	3,000	30,000
Planted area cut-out	-	7,771,954
Replanting expenditure	-	5,030,999
Depreciation (Note 10)	-	4,739,179
Management fee payable to Golden Hope Plantations Berhad	-	2,467,427
Brokerage fee payable to Golden Hope Plantations Berhad	-	3,824,283
Gain on disposal of tangible fixed assets	-	(26,524)
Rental income	-	(49,673)
	<u>-</u>	<u>(49,673)</u>

The Directors received no remuneration during the year (1999: nil).

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

5. EMPLOYEES

	<u>2000</u> RM	<u>1999</u> RM
Staff costs during the year:		
Wages and salaries	-	16,209,005
Social security and pension costs	-	2,070,042
	-	18,279,047
	<u>2000</u> Numbers	<u>1999</u> Numbers
The average weekly number of persons employed during the year was:		
Management	-	38
Non-executive staff	-	148
Estate workers	-	2,047
	-	2,233

6. INVESTMENT INCOME

	<u>2000</u> RM	<u>1999</u> RM
Dividends (gross) from investments:		
Quoted shares:		
Malaysia	-	121,601
Unquoted shares:		
Related companies	-	477,917
	-	599,518

7. EXCEPTIONAL ITEM

Surplus on disposal of estate land net of Real Property Gains Tax	-	7,034,692
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THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

8. TAXATION

	<u>2000</u>	<u>1999</u>
	RM	RM
Malaysian taxation based on results for the year:		
- Current	-	167,864
- Deferred	-	(988,245)
	-	(820,381)

There is no current tax charge for the Company during the year as it has ceased operations effective 1st July, 1999.

9. DIVIDENDS

	<u>2000</u>		<u>1999</u>	
	RM per share (Gross)	RM (Net)	RM per share (Gross)	RM (Net)
Proposed final dividend to be paid on 13th October, 2000:				
Tax exempt	1.90	61,622,216	-	-
Net of tax at 28% (1999: 28%)	0.70	16,346,104	0.32	7,472,504
		<u>77,968,320</u>		<u>7,472,504</u>

10. TANGIBLE FIXED ASSETS

	<u>Estates</u>	<u>Buildings</u>	<u>Equipment, etc.</u>	<u>Total</u>
Cost or Valuation	RM	RM	RM	RM
At beginning of year	211,668,880	18,955,721	57,603,636	288,228,237
Transfers	(211,668,880)	(18,955,721)	(57,603,636)	(288,228,237)
At end of year	-	-	-	-

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

10. TANGIBLE FIXED ASSETS (CONTD.)

	<u>Estates</u> RM	<u>Buildings</u> RM	<u>Equipment, etc.</u> RM	<u>Total</u> RM
Accumulated Depreciation				
At beginning of year	-	8,815,697	45,764,148	54,579,845
Transfers	-	(8,815,697)	(45,764,148)	(54,579,845)
At end of year	-	-	-	-
Net Book Value				
At 30th June, 2000	-	-	-	-
At 30th June, 1999	211,668,880	10,140,024	11,839,488	233,648,392
Depreciation charge for 1999	-	1,603,040	3,136,139	4,739,179

Analysis of Cost and Valuation

At 30th June, 1999

At cost	82,358,388	18,955,721	57,603,636	158,917,745
At 1982 valuation	129,310,492	-	-	129,310,492
	211,668,880	18,955,721	57,603,636	288,228,237

	<u>2000</u> RM	<u>1999</u> RM
Estates comprise:		
Land:		
- Freehold	-	133,467,040
- Long leasehold	-	18,957,302
Development expenditure	-	59,244,538
	-	211,668,880

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

11. INVESTMENTS

	<u>2000</u>	<u>1999</u>
	RM	RM
Related companies		
Unquoted shares, at cost	-	6,276,618
Quoted in Malaysia, at cost	-	328,035
(Market valuation : 1999 - RM9,736,896)		
	-	6,604,653

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

<u>Company</u>	<u>Country of incorporation</u>	<u>Percentage held</u>	
		<u>2000</u>	<u>1999</u>
		%	%
Golden Hope Latex Sdn. Bhd.	Malaysia	-	35.8
Sabah Plantations Limited	England	-	10.6
Chermang Development (Malaya) Sdn. Berhad	Malaysia	-	10.4

12. STOCKS

	<u>2000</u>	<u>1999</u>
	RM	RM
Produce stocks	-	4,802,383
Stores and materials	-	1,772,938
	-	6,575,321

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

13. DEBTORS

	<u>2000</u>	<u>1999</u>
	RM	RM
Amounts due from related companies	1,115,929,627	889,597,911
Trade	-	1,177,514
Others	-	2,593,843
Dividends receivable	-	128,101
	<u>1,115,929,627</u>	<u>893,497,369</u>

14. CREDITORS

Amounts falling due within one year:

Trade	-	142,893
Others	3,000	7,071,628
Social security and pension costs	-	585,230
Sundry accruals	-	4,148,442
Amount due to holding company	301,593,330	294,120,826
Amounts due to related companies	59,681,588	59,681,588
Taxation	2,656,033	12,523,092
Proposed dividends	77,968,320	7,472,504
	<u>441,902,271</u>	<u>385,746,203</u>

15. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

At beginning of year	2,873,236	3,861,481
Transfer / Write-back during the year	(2,873,236)	(988,245)
At end of year	<u>-</u>	<u>2,873,236</u>

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

15. PROVISION FOR LIABILITIES AND CHARGES (CONTD.)

	<u>2000</u> RM	<u>1999</u> RM
Deferred taxation arising from:		
- Capital allowances	-	3,534,956
- Other timing differences	-	(661,720)
	-	2,873,236

16. SHARE CAPITAL

	<u>2000</u> £	<u>1999</u> £
Authorised:		
40,000,000 shares of 10 pence each	4,000,000	4,000,000
	<u>2000</u> RM	<u>1999</u> RM
Issued and fully paid:		
32,432,745 shares of 10 pence each	27,803,624	27,803,624

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

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, 1998	27,803,624	147,136,184	509,605,151	684,544,959
Profit for the year	-	-	74,926,356	74,926,356
Dividend	-	-	(7,472,504)	(7,472,504)
Transfer to revaluation reserve	-	13,047,520	(13,047,520)	-
At 1st July, 1999	27,803,624	160,183,704	564,011,483	751,998,811
Profit for the year	-	-	(3,135)	(3,135)
Dividend	-	-	(77,968,320)	(77,968,320)
Transfer upon realisation of revalued assets	-	(160,183,704)	160,183,704	-
At 30th June, 2000	27,803,624	-	646,223,732	674,027,356

Based on the estimated tax credit available, approximately RM20,377,000 of the Company's retained profit is available for distribution by way of dividends without incurring additional tax liability. In addition, subject to agreement by the Inland Revenue Board, the Company has a tax exempt account balance arising out of the 1999 tax waiver available for distribution as tax exempt dividends of approximately RM17,472,000.

18. CAPITAL COMMITMENTS

	<u>2000</u> RM	<u>1999</u> RM
Authorised capital expenditure not provided for in the accounts:		
Contracted for	-	32,500
Not contracted for	-	18,282,767
	-	18,315,267

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

19. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption contained within FRS 8 and has not disclosed transactions with group companies.

20. HOLDING AND RELATED COMPANIES

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

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

The largest group in which the results of the Company are consolidated is that headed by Golden Hope Plantations Berhad. The smallest group in which they are consolidated is that headed by Malaysian Estates PLC. Copies of its group accounts, which include the company are available from 13th Floor, Menara PNB, No.201-A, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.