

THE PATALING RUBBER ESTATES, LIMITED (166301)
(Incorporated in England)

Directors' Report and Audited Financial Statements
30th June 2003



Company No: 166301

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

DIRECTORS

Kasmuri bin Sukardi
Mary Lina Sii Mei Kui

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:
20th Floor, Menara PNB,
No. 201-A, Jalan Tun Razak,
50400 Kuala Lumpur.

REGISTERED NUMBER

166301 England

AUDITORS

Ernst & Young LLP
1 More London Place
London SE1 2AF

Company No: 166301

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

REPORT OF THE DIRECTORS

The Directors present their report and the accounts for the year ended 30th June 2003.

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 ACTIVITY

The Company ceased operations with effect from 1st July 1999.

RESULTS

	<u>RM</u>
Profit on ordinary activities after tax	462,931
Retained profit brought forward	472,631,745
	473,094,676
Dividends	(2,802,189)
Retained profit carried forward	470,292,487

The other operating income derived from rental income.

DIVIDENDS

Interim dividends of RM0.12 per share (less tax at 28%) amounting to RM2,802,189 declared for the financial year ended 30th June 2003 was paid by the Company during the current financial year.

Company No: 166301

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

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:

Kasmuri bin Sukardi
Mary Lina Sii Mei Kui

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>			
	<u>As at</u> <u>1.7.2002</u>	<u>During the financial year</u>		<u>As at</u> <u>30.6.2003</u>
<u>Golden Hope Plantations Berhad</u>		<u>Bought</u>	<u>Sold</u>	
Kasmuri bin Sukardi	36,000	70,000	-	106,000
Mary Lina Sii Mei Kui	55,000	-	-	55,000

	<u>Options over ordinary shares of RM1 each</u>			
	<u>As at</u> <u>1.7.2002</u>	<u>Options over ordinary shares of RM1 each</u>		<u>As at</u> <u>30.6.2003</u>
<u>Golden Hope Plantations Berhad</u>		<u>Granted</u>	<u>Exercised/ Lapsed</u>	
Kasmuri bin Sukardi	35,000	35,000	(70,000)	-
Mary Lina Sii Mei Kui	43,000	-	-	43,000

AUDITORS

The auditors, Ernst & Young LLP, have expressed their willingness to continue in office and a resolution for the re-appointment will be proposed at the Annual General Meeting.

By Order of the Board,


MARY LINA SII MEI KUI
Director

27 July 2004

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements 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 financial statements, 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 financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- o prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors confirm that they have complied with these requirements and having a reasonable expectation that the company has, or has access within the Golden Hope Plantations Berhad Group to, adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

Company No: 166301

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

We have audited the accounts for the year ended 30th June 2003 which comprise the Profit and Loss Account, Balance Sheet, Cash flow statement, Statement of Total Recognised Gains and Losses and the related notes 1 to 13. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act, 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Company No: 166301

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

THE PATALING RUBBER ESTATES, LIMITED (CONT'D.)
(Incorporated in England)

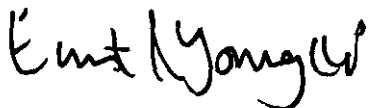
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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, 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG LLP
Registered Auditor
1 More London Place
London
SE1 2AF

27 July 2004

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2003

	Note	<u>2003</u> RM	<u>2002</u> RM Restated
TURNOVER		-	-
COST OF SALES		-	-
GROSS PROFIT		-	-
OTHER OPERATING INCOME		495,000	-
ADMINISTRATIVE EXPENSES		(32,069)	(3,708)
PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAX	3	462,931	(3,708)
TAXATION	4	-	-
PROFIT /(LOSS) FOR THE YEAR		462,931	(3,708)
DIVIDEND	5	(2,802,189)	(11,208,757)
RETAINED LOSS FOR THE FINANCIAL YEAR		(2,339,258)	(11,212,465)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE
YEAR ENDED 30TH JUNE 2003**

	<u>2003</u> RM	<u>2002</u> RM
PROFIT / (LOSS) FOR THE YEAR	462,931	(3,708)
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR	462,931	(3,708)
Prior year adjustment (as explained in note 1)	(162,373,640)	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS	(161,910,709)	

The notes on pages 10 to 16 form part of the financial statements.

Company No: 166301

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

BALANCE SHEET AS AT 30TH JUNE 2003

	Note	<u>2003</u> RM	<u>2002</u> RM Restated
FIXED ASSETS			
Tangible Fixed Assets	6	32,526,360	32,526,360
CURRENT ASSETS			
Debtors:	7		
Amounts due within one year		7,600,000	-
Amounts due after one year		887,302,471	918,853,520
Cash and bank balances		4,404	-
		894,906,875	918,853,520
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	8	(429,337,124)	(450,944,511)
NET ASSETS		498,096,111	500,435,369
CAPITAL AND RESERVES			
Share capital	9	27,803,624	27,803,624
Retained profits	10	470,292,487	472,631,745
EQUITY SHAREHOLDERS' FUNDS		498,096,111	500,435,369

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MARY LINA SII MEI KUI
Director
Kuala Lumpur, Malaysia

27 July 2004

The notes on pages 10 to 16 form part of the financial statements.

Company No: 166301

THE PATALING RUBBER ESTATES, LIMITED
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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2003

	Note	<u>2003</u> RM	<u>2002</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		462,931	(3,708)
Operating loss before working capital changes		<u>462,931</u>	<u>(3,708)</u>
Decrease / (Increase) in Debtors		23,951,049	789,448
(Decrease) / Increase in Creditors		(21,607,387)	(785,740)
Net cash generated from operating activities		<u>2,806,593</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		<u>(2,802,189)</u>	<u>-</u>
Net cash used in financing activities		<u>(2,802,189)</u>	<u>-</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		4,404	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>4,404</u></u>	<u><u>-</u></u>

The notes on pages 10 to 16 form part of the financial statements.

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2003

1. ACCOUNTING POLICIES

(a) Accounting Standards

These accounts are prepared in accordance with applicable UK accounting standards. In preparing the financial statements for the current year, the company has adopted Financial Reporting Standard No.19 "Deferred Tax". The adoption of FRS 19 has not resulted in a change in accounting policy for deferred taxation. See note 5 Taxation.

(b) Accounting Convention

The accounts are prepared under the historical cost convention. Accounts prepared on this basis show the profits available to shareholders and are the most appropriate basis for presentation of the company's balance sheet.

(c) Prior Year Adjustment

The prior year adjustment is due to fundamental error in the recognition of the sale of a piece of land to a related company in prior years as the sale failed to complete. The companies involved had on 17th January 2003 entered into a rescission agreement to rescind the Sale and Purchase agreement signed on 23rd April 1999.

Shareholders' funds at 1st July 2002 have been reduced by RM162,373,640. Tangible fixed assets at 30th June 2002 have increased by RM32,526,360 and debtor balances at 30th June 2002 have been reduced by RM194,900,000. There has been no effect on profit for the current year.

(d) Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. The Company's policy for the recognition and measurement of impairment losses is in accordance with Note 1(e).

- i. Freehold land is not depreciated.
- ii. Estates on freehold land are not depreciated.
- iii. Depreciation on other tangible fixed assets is provided for on a straight line basis to write off the cost of each asset to its residual value over the period of its estimated useful life.

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

1. ACCOUNTING POLICIES (CONTD.)

(d) Tangible Fixed Assets and Depreciation (contd.)

The periods applied are as follows:

Buildings	10 to 50 years
Machineries	3 to 20 years
Furniture and fittings	7 to 15 years
Motor vehicles	3 to 5 years

Upon disposal of an item of tangible fixed assets, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss accounts.

(e) Impairment of Assets

At each balance sheet date, the Company 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 profit and loss accounts immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

2. BOOKS OF ACCOUNTS

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

3. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAX

	<u>2003</u>	<u>2002</u>
	RM	RM
This is arrived at after charging:		
Auditors' remuneration	3,000	3,000

There are no employees as all administrative functions are handled by Golden Hope Plantations Berhad, the intermediate holding company.

The Directors received no remuneration during the year (2002: nil).

THE PATALING RUBBER ESTATES, LIMITED
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4. TAXATION

There is no tax charge for the year. The reconciliation of the standard rate of corporation tax in Malaysia of 28% (2002 : 28%) are as below :

	<u>2003</u> RM	<u>2002</u> RM
Profit / (loss) on ordinary activities before tax	462,931	(3,708)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in Malaysia of 28% (2002 : 28%)	129,621	(1,038)
Expenses not deductible for tax purpose	-	1,038
Over provision of income tax in prior years	(129,621)	-
	<u>-</u>	<u>-</u>

5. DIVIDENDS

	<u>2003</u> <u>Sen Per Share</u> (Gross)	<u>RM</u> (Net)	<u>2002</u> <u>Sen Per Share</u> (Gross)	<u>RM</u> (Net)
Final dividend for 2001; paid during the year, net of tax at 28%	-	-	0.48	11,208,757
Interim dividend for 2003; paid during the year, net of tax at 28%	<u>0.12</u>	<u>2,802,189</u>	<u>-</u>	<u>-</u>

5. TANGIBLE FIXED ASSETS

Cost	Leasehold		Estates	Buildings	Machineries	Furniture and Fittings	Motor Vehicles	Total 2003
	Lands		RM	RM		RM	RM	RM
At 1st July 2002 (restated)	32,526,360		16,580,358	32,472,071	1,970,083	689,289	2,336,945	86,575,106
At 30th June 2003	32,526,360		16,580,358	32,472,071	1,970,083	689,289	2,336,945	86,575,106
Accumulated Depreciation								
At 1st July 2002 (restated)	-		16,580,358	32,472,071	1,970,083	689,289	2,336,945	54,048,746
Charge for the year	-		-	-	-	-	-	-
At 30th June 2003	-		16,580,358	32,472,071	1,970,083	689,289	2,336,945	54,048,746
Net Book Value								
At 30th June 2003	32,526,360		-	-	-	-	-	32,526,360
At 30th June 2002	32,526,360		-	-	-	-	-	32,526,360
Depreciation charge for 2002	-		-	-	-	-	-	-

THE PATALING RUBBER ESTATES, LIMITED
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7. DEBTORS

	<u>2003</u> RM	<u>2002</u> RM Restated
Taxation recoverable	7,600,000	-
Amount due from intermediate holding company	603,073,625	624,900,262
Amounts due from related companies	284,228,846	293,953,258
	<u>894,902,471</u>	<u>918,853,520</u>

Debtors due within one year are RM 7,600,000 (2002: nil).

8. CREDITORS

Amounts falling due within one year:

Other creditors	3,150	3,150
Amount due to immediate holding company	393,572,595	390,770,406
Amounts due to related companies	35,272,012	59,681,588
Taxation	489,367	489,367
	<u>429,337,124</u>	<u>450,944,511</u>

9. SHARE CAPITAL

	<u>2003</u> £	<u>2002</u> £
Authorised: 40,000,000 ordinary shares of 10 pence each	<u>4,000,000</u>	<u>4,000,000</u>
	<u>2003</u> RM	<u>2002</u> RM
Issued and fully paid: 32,432,745 ordinary shares of 10 pence each	<u>27,803,624</u>	<u>27,803,624</u>

THE PATALING RUBBER ESTATES, LIMITED
(Incorporated in England)

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<u>Share Capital</u> RM	<u>Retained Profits</u> RM	<u>Total</u> RM
At 1st July 2001			
As previously stated	27,803,624	646,217,850	674,021,474
Prior year adjustments (note 1)	-	(162,373,640)	(162,373,640)
As restated	27,803,624	483,844,210	511,647,834
Loss for the year	-	(3,708)	(3,708)
Dividend	-	(11,208,757)	(11,208,757)
At 1st July 2002	27,803,624	472,631,745	500,435,369
Profit for the year	-	462,931	462,931
Dividend	-	(2,802,189)	(2,802,189)
At 30th June 2003	27,803,624	470,292,487	498,096,111

Based on the estimated tax credit available, approximately RM3,281,000 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 RM16,440,000 and also a tax exempt account arising out of reinvestment allowances available for distribution as tax exempt dividends of approximately RM1,032,000.

11. HOLDING AND RELATED COMPANIES

The immediate 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 amounts due to/from related companies, immediate holding company and intermediate holding company are unsecured, interest free and have no fixed terms of repayment.

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 financial statements, which include the company are available from 13th Floor, Menara PNB, No. 201-A, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

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12. RELATED PARTY TRANSACTIONS

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

13. CONTINGENT LIABILITIES

There were contingent liabilities at 30th June 2003 in respect of guarantees and indemnities entered into as part of, and claims arising from, the ordinary course of the company's business, upon which no material losses are likely to arise.