



INTERIM REPORT
30 JUNE 2003

INTERIM STATEMENT

Financial overview

The strong performance of the second half of 2002 continued into the first half of 2003. Although the average price of CPO (crude palm oil) was lower than that in the second half of 2002, output of FFB (fresh fruit bunches) was helped by the increasing maturity of our Bengkulu estates in South Sumatra and better yields experienced in our Malaysian estates.

Crop output and average prices in the first half of 2003 were substantially higher than the corresponding period in the previous year. As a result, profit before tax for the six months to 30 June 2003 was \$7.2 million (£4.4 million) compared to \$3.3 million (£2.2 million) for the same period in 2002. Turnover was \$20.4 million (£12.7 million) compared to \$10.8 million (£6.1 million) for the same period in 2002.

The results reflect FFB crops some 35% better than in the same period in 2002, together with satisfactory prices for palm oil as well as for rubber and cocoa.

Earnings per share for the six months were 10.0cts (6.2p) compared to 4.1cts (2.8p) for the same period in 2002.

As in previous years, no interim dividend is being declared.

Borrowings net of cash reduced from \$1.7 million at 31 December 2002 to a cash net surplus of \$0.2 million at 30 June 2003. While cash generation from operations has been strong, there were heavy tax payments in respect of 2002 profits together with loan repayments of \$1.0 million and a dividend double that paid in 2002.

| Production and sales | 2003 | 2002 | 2002 |
|--|--------------------|--------------------|------------------|
| | 6 months | 6 months | year |
| | to 30 June | to 30 June | to 31 Dec |
| | (unaudited) | (unaudited) | (audited) |
| | mt | mt | mt |
| Oil palm production | | | |
| FFB | | | |
| - own estates | 171,491 | 126,823 | 294,062 |
| - bought in or processed for third parties | 66,978 | 36,994 | 99,029 |
| Saleable CPO | 40,147 | 24,363 | 63,240 |
| Oil palm sales | | | |
| CPO | 37,923 | 21,550 | 63,042 |
| FFB sold outside | 44,606 | 50,277 | 93,929 |
| Other crops production | | | |
| Rubber | 737 | 653 | 1,491 |
| Cocoa | 80 | 71 | 193 |

Of the increase of 44,668mt in total FFB production, 18,842mt (+21%) came from the North Sumatra estates, 21,860mt (+90%) from Bengkulu and 3,966mt (+30%) from Cenderung in Malaysia. These results are all ahead of expectations and it is particularly pleasing that this was the case in Cenderung, where previously we have repeatedly reported weak performance.

As mentioned in the last annual report, buying outside crop in the Tasik region of North Sumatra has become more competitive and the total increase of 29,984mt masks a fall of 4,005mt for the Tasik mill. However, supplies in Bengkulu continue to be reasonably plentiful and the total of 39,035mt for the six months compares with 27,452mt in the second half of 2002.

INTERIM STATEMENT

Prices

While CPO prices for January and February averaged \$450, they then fell to about \$415 by the end of June, averaging about \$420 for the six month period. This compares with an average of \$360 for the first half of 2002 and \$400 for 2002 as a whole.

Cocoa and rubber prices have been strong, averaging 13% and 24% better than for 2002 as a whole.

Development

The group's planted areas at 30 June 2003 comprise:

| | Mature ha | <i>Immature</i> <i>ha</i> | <i>Total</i> <i>ha</i> |
|-------------------------|--------------|------------------------------|---------------------------|
| North Sumatra | 9,910 | 438 | 10,348 |
| Bengkulu | 8,720 | 1,109 | 9,829 |
| | 18,630 | 1,547 | 20,177 |
| Malaysia | 3,267 | 549 | 3,816 |
| Total: 30 June 2003 | 21,897 | 2,096 | 23,993 |
| Total: 31 December 2002 | 20,375 | 3,498 | 23,873 |

We have decided to accelerate the rate of new planting in Bengkulu and aim to complete 1,000ha during 2003, leaving plantable reserves of about 5,000ha. By June, preparation of about 500ha was in hand but not finally planted and therefore the table above shows only a small increase of 120ha in total planted area.

Work commenced in May on a 20mt/hr oil mill to service our three small estates around Medan in North Sumatra. Completion is expected in the second half of 2004. Cost is expected to be about \$2.7 million.

In view of the availability of outside crop and the improving performance of the Bengkulu estates, we now plan to begin expanding the mill there early in 2004 to 80mt/hr capacity from 40mt/hr - some nine months earlier than originally scheduled at an expected cost of \$2.6 million.

Outlook

Operations in our estates are satisfactory. The new management installed at our Malaysian estates is showing results. However, oil palm crops since June have fallen due to seasonal effects, but we still expect to maintain the substantial improvement in 2003 over 2002.

CPO prices have been holding recently around \$400/mt. If they continue to hold around that level and barring adverse circumstances, we can expect the current improvement in profits over 2002 to continue.

Chan Teik Huat
Chairman and Chief Executive

11 September 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | Notes | US DOLLARS | | | STERLING | | |
|--|-------|---|---|--|--|--|---|
| | | 2003 6 months to 30 June (unaudited) \$'000 | 2002 6 months to 30 June (unaudited) \$'000 | 2002 year to 31 Dec (audited) \$'000 | 2003 6 months to 30 June (unaudited) £'000 | 2002 6 months to 30 June (unaudited) £'000 | 2002 year to 31 Dec (audited) £'000 |
| Turnover | | 20,390 | 10,784 | 31,139 | 12,665 | 6,113 | 20,622 |
| Profit before exchange differences | | 7,423 | 3,302 | 11,939 | 4,610 | 2,277 | 7,907 |
| Exchange (losses)/profits | 1 | (15) | (15) | 828 | (9) | (10) | 548 |
| Operating profit | | 7,408 | 3,287 | 12,767 | 4,601 | 2,267 | 8,455 |
| Interest – receivable | | 60 | 16 | 50 | 37 | 11 | 33 |
| – payable | | (385) | (303) | (945) | (239) | (209) | (626) |
| – capitalised | | 67 | 162 | 220 | 42 | 112 | 146 |
| Profit before taxation | | 7,150 | 3,162 | 12,092 | 4,441 | 2,181 | 8,008 |
| Taxation | | | | | | | |
| Foreign corporation tax | | (2,389) | (1,122) | (4,170) | (1,484) | (774) | (2,762) |
| Foreign withholding tax | | (144) | (145) | (372) | (89) | (100) | (246) |
| Deferred tax adjustment | | 127 | 48 | 175 | 79 | 33 | 116 |
| Profit after taxation | | 4,744 | 1,943 | 7,725 | 2,947 | 1,340 | 5,116 |
| Minority interests – all equity interests | | (825) | (327) | (1,250) | (513) | (226) | (828) |
| Profit attributable to shareholders | | 3,919 | 1,616 | 6,475 | 2,434 | 1,114 | 4,288 |
| Dividend | | – | – | (1,571) | – | – | (1,040) |
| Retained profit for period | | 3,919 | 1,616 | 4,904 | 2,434 | 1,114 | 3,248 |
| Earnings per share | | | | | | | |
| – basic | | 10.0cts | 4.1cts | 16.5cts | 6.2p | 2.8p | 10.9p |
| – diluted | | 9.9cts | 4.1cts | 16.4cts | 6.1p | 2.8p | 10.9p |
| Dividend per share | 5 | – | – | 4.0cts | – | – | 2.58p |
| Av. shares in issue ('000) | | 39,347 | 39,227 | 39,227 | 39,347 | 39,227 | 39,227 |

NOTES

- At 30 June 2003, there was an exchange translation surplus of \$199,000 (30 June 2002: \$900,000) arising on third party US dollar borrowings by two Indonesian subsidiaries net of cash balances. In view of the unpredictability of the rupiah/dollar exchange rate, this has been held in exchange reserves at 30 June 2003 pending determination of the final profit or loss at 31 December 2003.
- The unaudited accounts for the six months ended 30 June 2003 were approved by the board of directors on 10 September 2003 and have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The accounting principles applied, including the valuation of fixed assets, are those set out in the annual report for the year ended 31 December 2002 together with any subsequent requirements thereafter.
- The results for the year ended 31 December 2002 are extracted from the group's full statutory accounts for that year.
- The financial information in this statement does not constitute full statutory accounts within the meaning of Section 240 of the Companies Act 1985. Full statutory accounts for the year ended 31 December 2002 incorporating an unqualified auditors' report have been delivered to the Registrar of Companies.
- The final and only dividend in respect of 2002 was paid on 18 June 2003.
- Copies of the interim statement of results are available from the company's registered office at 6/7 Queen Street, London EC4N 1SP.

CONSOLIDATED BALANCE SHEET

| | US DOLLARS | | | STERLING | | |
|---|---|---|--|--|--|---|
| | 2003 6 months to 30 June (unaudited) \$'000 | 2002 6 months to 30 June (unaudited) \$'000 | 2002 year to 31 Dec (audited) \$'000 | 2003 6 months to 30 June (unaudited) £'000 | 2002 6 months to 30 June (unaudited) £'000 | 2002 year to 31 Dec (audited) £'000 |
| Notes | | | | | | |
| Fixed assets | | | | | | |
| Tangible assets | <u>105,917</u> | <u>107,797</u> | <u>103,558</u> | <u>64,192</u> | <u>70,719</u> | <u>64,322</u> |
| Current assets | | | | | | |
| Stocks | 1,526 | 1,296 | 928 | 925 | 850 | 576 |
| Debtors | 3,965 | 3,408 | 2,001 | 2,403 | 2,236 | 1,243 |
| Investments | 290 | 293 | 234 | 176 | 192 | 145 |
| Cash at bank and in hand | <u>9,268</u> | <u>1,793</u> | <u>8,416</u> | <u>5,617</u> | <u>1,176</u> | <u>5,227</u> |
| | <u>15,049</u> | <u>6,790</u> | <u>11,579</u> | <u>9,121</u> | <u>4,454</u> | <u>7,191</u> |
| Current liabilities | | | | | | |
| Creditors: falling due within one year | | | | | | |
| Borrowings | 7 (2,041) | (1,378) | (2,040) | (1,237) | (904) | (1,267) |
| Other creditors | <u>(8,592)</u> | <u>(6,136)</u> | <u>(7,717)</u> | <u>(5,207)</u> | <u>(4,025)</u> | <u>(4,793)</u> |
| | <u>(10,633)</u> | <u>(7,514)</u> | <u>(9,757)</u> | <u>(6,444)</u> | <u>(4,929)</u> | <u>(6,060)</u> |
| Net current assets/(liabilities) | <u>4,416</u> | <u>(724)</u> | <u>1,822</u> | <u>2,677</u> | <u>(475)</u> | <u>1,131</u> |
| Total assets less current liabilities | 110,333 | 107,073 | 105,380 | 66,869 | 70,244 | 65,453 |
| Non-current assets/(liabilities) | | | | | | |
| Creditors: falling due after more than one year | | | | | | |
| Borrowings | (7,073) | (6,196) | (8,085) | (4,286) | (4,065) | (5,022) |
| Deferred taxation | <u>1,442</u> | <u>1,115</u> | <u>1,215</u> | <u>873</u> | <u>731</u> | <u>755</u> |
| Net assets | <u>104,702</u> | <u>101,992</u> | <u>98,510</u> | <u>63,456</u> | <u>66,910</u> | <u>61,186</u> |
| Capital and reserves | | | | | | |
| Called-up share capital | 15,249 | 15,171 | 15,171 | 9,856 | 9,808 | 9,808 |
| Share premium account | 23,610 | 23,570 | 23,570 | 15,353 | 15,329 | 15,329 |
| Share capital redemption reserve | 1,087 | 1,087 | 1,087 | 663 | 663 | 663 |
| Revaluation and exchange reserve | 7,381 | 11,990 | 6,586 | 2,811 | 8,194 | 3,028 |
| Profit and loss account | <u>38,638</u> | <u>31,431</u> | <u>34,719</u> | <u>23,417</u> | <u>20,620</u> | <u>21,565</u> |
| Shareholders' funds - all equity interests | 85,965 | 83,249 | 81,133 | 52,100 | 54,614 | 50,393 |
| Minority interests - all equity interests | <u>18,737</u> | <u>18,743</u> | <u>17,377</u> | <u>11,356</u> | <u>12,296</u> | <u>10,793</u> |
| Total capital employed | <u>104,702</u> | <u>101,992</u> | <u>98,510</u> | <u>63,456</u> | <u>66,910</u> | <u>61,186</u> |

NOTES

7. Element of borrowings falling due within one year which relate to repayment of long term loan

| | | | | | | |
|--|----------------|----------------|----------------|----------------|--------------|----------------|
| | <u>(2,020)</u> | <u>(1,180)</u> | <u>(2,020)</u> | <u>(1,224)</u> | <u>(774)</u> | <u>(1,255)</u> |
|--|----------------|----------------|----------------|----------------|--------------|----------------|

CONSOLIDATED CASH FLOW STATEMENT

| | US DOLLARS | | | STERLING | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2003 | 2002 | 2002 | 2003 | 2002 | 2002 |
| | 6 months | 6 months | year to | 6 months | 6 months | year to |
| | to 30 June | to 30 June | 31 Dec | to 30 June | to 30 June | 31 Dec |
| | (unaudited) | (unaudited) | (audited) | (unaudited) | (unaudited) | (audited) |
| | \$'000 | \$'000 | \$'000 | £'000 | £'000 | £'000 |
| Net cash inflow from operating activities | 9,299 | 5,183 | 13,691 | 5,637 | 3,529 | 8,670 |
| Returns on investments and servicing of finance | | | | | | |
| Interest received | 60 | 16 | 50 | 37 | 11 | 33 |
| Interest paid | (385) | (303) | (942) | (239) | (209) | (624) |
| Interest element of finance lease payments | - | - | (3) | - | - | (2) |
| Dividends paid to minority shareholders | - | - | (263) | - | - | (174) |
| | <u>(325)</u> | <u>(287)</u> | <u>(1,158)</u> | <u>(202)</u> | <u>(198)</u> | <u>(767)</u> |
| Taxation | | | | | | |
| Foreign tax paid | (3,173) | (1,856) | (2,424) | (1,971) | (1,280) | (1,605) |
| UK tax paid | (7) | (6) | - | (4) | (4) | - |
| | <u>(3,180)</u> | <u>(1,862)</u> | <u>(2,424)</u> | <u>(1,975)</u> | <u>(1,284)</u> | <u>(1,605)</u> |
| Capital expenditure | | | | | | |
| Payment to acquire tangible fixed assets | (2,496) | (3,735) | (6,136) | (1,550) | (2,575) | (4,064) |
| Payments to acquire land | - | - | (620) | - | - | (411) |
| Proceeds from sale of tangible fixed assets | 18 | 16 | 34 | 11 | 11 | 23 |
| | <u>(2,478)</u> | <u>(3,719)</u> | <u>(6,722)</u> | <u>(1,539)</u> | <u>(2,564)</u> | <u>(4,452)</u> |
| Equity dividends paid | | | | | | |
| Parent company | (1,571) | (785) | (785) | (976) | (541) | (520) |
| Cash inflow/(outflow) before financing | <u>1,745</u> | <u>(1,470)</u> | <u>2,602</u> | <u>945</u> | <u>(1,058)</u> | <u>1,326</u> |
| Financing | | | | | | |
| Employee share option subscription | 118 | - | - | 73 | - | - |
| (Repayment)/drawdown of long term loans | (1,011) | 916 | 3,663 | (628) | 632 | 2,427 |
| Finance lease repayments | (14) | - | (29) | (9) | - | (19) |
| | <u>(907)</u> | <u>916</u> | <u>3,634</u> | <u>(564)</u> | <u>632</u> | <u>2,408</u> |
| Increase/(decrease) in cash and cash equivalents | 838 | (554) | 6,236 | 381 | (426) | 3,734 |
| Cash in hand and at bank less short term borrowings | | | | | | |
| Opening | 8,416 | 2,180 | 2,180 | 5,227 | 1,493 | 1,493 |
| Closing | <u>9,254</u> | <u>1,626</u> | <u>8,416</u> | <u>5,608</u> | <u>1,067</u> | <u>5,227</u> |
| Net inflow/(outflow) | 838 | (554) | 6,236 | 381 | (426) | 3,734 |

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | US DOLLARS | | |
|---|--------------|--------------|---------------|
| | 2003 | 2002 | 2002 |
| | 6 months | 6 months | year to |
| | to 30 June | to 30 June | 31 Dec |
| | (unaudited) | (unaudited) | (audited) |
| | \$'000 | \$'000 | \$'000 |
| Operating profit | 7,408 | 3,287 | 12,767 |
| Depreciation and amortisation | 1,293 | 1,311 | 2,411 |
| (Profit)/loss on sale of fixed assets | (12) | (9) | 5 |
| Movement in market value of investments | (56) | (27) | 32 |
| (Increase) in stocks | (599) | (696) | (328) |
| (Increase) in debtors | (287) | (267) | (263) |
| Increase/(decrease) in creditors | 1,417 | 1,025 | (815) |
| Foreign exchange | 135 | 559 | (118) |
| Net cash flow from operating activities | <u>9,299</u> | <u>5,183</u> | <u>13,691</u> |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | US DOLLARS | | |
|--|--------------|--------------|--------------|
| | 2003 | 2002 | 2002 |
| | 6 months | 6 months | year to |
| | to 30 June | to 30 June | 31 Dec |
| | (unaudited) | (unaudited) | (audited) |
| | \$'000 | \$'000 | \$'000 |
| Profit for the period | 3,919 | 1,616 | 6,475 |
| Unrealised (deficit) on revaluation of the estates | (4,568) | (11,845) | (15,375) |
| Profit on exchange translation | 5,363 | 12,849 | 10,975 |
| Total recognised gains | <u>4,714</u> | <u>2,620</u> | <u>2,075</u> |

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | US DOLLARS | | |
|---|---------------|---------------|---------------|
| | 2003 | 2002 | 2002 |
| | 6 months | 6 months | year to |
| | to 30 June | to 30 June | 31 Dec |
| | (unaudited) | (unaudited) | (audited) |
| | \$'000 | \$'000 | \$'000 |
| Total recognised gains | 4,714 | 2,620 | 2,075 |
| Dividend | - | - | (1,571) |
| Issue of shares on exercise of employee options | 118 | - | - |
| Net increase in shareholders' funds | 4,832 | 2,620 | 504 |
| Beginning of period | 81,133 | 80,629 | 80,629 |
| End of period | <u>85,965</u> | <u>83,249</u> | <u>81,133</u> |

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