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The directors have pleasure in submitting their report and the audited accounts of the Group and of the Company for the year ended 31 March 2000.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year remained unchanged and consist of the domestic marketing of petroleum products and the operation of service stations. The principal activities of its subsidiary companies and associated companies are described in Notes 29 and 30 to the accounts respectively.

RESULTS

	Group RM'000	Company RM'000
Profit after taxation but before minority interests	145,682	147,577
Minority interests' share of subsidiary company's profits	(69)	—
Profit attributable to shareholders	145,613	147,577
Add: Unappropriated profits brought forward	787,193	799,367
Profits available for appropriation	932,806	946,944
Dividends – Interim	(35,764)	(35,764)
Proposed final dividend	(35,764)	(35,764)
	(71,528)	(71,528)
Unappropriated profits carried forward	861,278	875,416

DIVIDENDS

The amounts paid by way of dividends by the Company since the end of the previous financial year are as follows:-

- as proposed in last year's report, a final dividend of 10% less 28% tax amounting to RM35,764,344 in respect of the financial year ended 31 March 1999.
- an interim dividend of 10% less 28% tax amounting to RM35,764,344 in respect of the financial year ended 31 March 2000.

The directors propose a final dividend of 10% less 28% tax amounting to RM35,764,344 in respect of the year ended 31 March 2000.

RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the year.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:—

Tan Sri Dato' Mohd Hassan bin Marican – Chairman
 Anuar bin Ahmad – Managing Director/CEO
 Dato' Mohd Ali bin Yasin
 Ishak bin Imam Abas
 Chew Kong Seng
 Dr. R. Thillainathan
 Abdul Rahim bin Haji Hashim
 Mohd Rauff bin Nabi Bax
 Dato' Shamsul Azhar bin Abbas (Appointed on 1.10.1999)

In accordance with Article 93 of the Company's Articles of Association, Dato' Mohd Ali bin Yasin, Ishak bin Imam Abas and Chew Kong Seng retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 96 of the Company's Articles of Association, Dato' Shamsul Azhar bin Abbas who was appointed during the year retires at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

In accordance with Article 123 of the Articles of Association, Anuar bin Ahmad, being the Managing Director of the Company, shall not be subject to retirement by rotation and shall not be reckoned as a director for the purpose of determining the rotation or retirement of directors or in fixing the number of directors to retire.

DIRECTORS' INTERESTS

The directors in office at the end of the year who have interests in the shares of the Company and its related companies are as follows:—

Name	Number of Shares in the Company		
	Balance at 1.4.1999	Bought	Sold
Tan Sri Dato' Mohd Hassan bin Marican	1,000	—	—
Anuar bin Ahmad	1,000	—	—
Abdul Rahim bin Haji Hashim	1,000	—	—
Dato' Mohd Ali bin Yasin	1,000	—	—
Dato' Shamsul Azhar bin Abbas	1,000	—	—

	Number of Shares in Petronas Gas Berhad		
	Balance at 1.4.1999	Bought	Sold
Tan Sri Dato' Mohd Hassan bin Marican	5,000	—	—
Dato' Mohd Ali bin Yasin	5,000	—	—

	Number of Warrants in Petronas Gas Berhad		
	Balance at 1.4.1999	Bought	Sold
Dato' Mohd Ali bin Yasin	4,000	—	—

None of the other directors held or dealt in any shares of the Company or its related companies during the year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the accounts or the fixed salary of a full time employee of the Company or of a related company) by reason of a contract made by the Company or a related company with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

There were no arrangements during and at the end of the year which had the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

There were no changes in the issued and paid-up capital of the Company during the year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year.

OTHER STATUTORY INFORMATION

Before the accounts of the Group and of the Company were made out, the directors took reasonable steps to ascertain that:—

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and*
- ii) all current assets have been stated at the lower of cost and net realisable value.*

At the date of this report, the directors of the Company are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or*
- ii) that would render the value attributed to the current assets in the accounts of the Group and of the Company misleading, or*
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or*
- iv) not otherwise dealt with in this report or the accounts, that may render any amount stated in the accounts of the Group and of the Company misleading.*

At the date of this report there does not exist:—

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or*
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.*

No contingent liability or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended 31 March 2000 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG Desa Megat & Co., have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the directors:

TAN SRI DATO' MOHD HASSAN BIN MARICAN

Chairman

ANUAR BIN AHMAD

Managing Director

Kuala Lumpur,

Date: 17 May 2000

We, TAN SRI DATO' MOHD HASSAN BIN MARICAN and ANUAR BIN AHMAD, being two of the directors of PETRONAS DAGANGAN BERHAD, do hereby state on behalf of the directors that in our opinion, the accounts set out on pages 74 to 93 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2000 and of the results of their operations and the cash flows of the Group for the year ended on that date.

Signed in accordance with a resolution of the directors:

TAN SRI DATO' MOHD HASSAN BIN MARICAN

ANUAR BIN AHMAD

*Kuala Lumpur,
Date: 17 May 2000*

I, CHE NORAN MOHD JELAS, being the officer primarily responsible for the financial management of PETRONAS DAGANGAN BERHAD, do solemnly and sincerely declare that the accounts of the Group and of the Company set out on pages 74 to 93, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed

CHE NORAN MOHD JELAS

at KUALA LUMPUR in WILAYAH PERSEKUTUAN

this 17th day of May 2000.

BEFORE ME:

NEOH SWEE KEE

Commissioner for Oath

We have audited the accounts set out on pages 74 to 93. The preparation of the accounts is the responsibility of the Company's directors. Our responsibility is to express an opinion on the accounts based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the accounts are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the accounts. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the accounts. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the accounts are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:

- i) the state of affairs of the Group and of the Company at 31 March 2000 and the results of their operations and cash flows of the Group for the year ended on that date; and*
- ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the accounts of the Group and of the Company;*

and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's accounts are in form and content appropriate and proper for the purposes of the preparation of the consolidated accounts and we have received satisfactory information and explanations required by us for those purposes.

None of the audit reports on the accounts of the subsidiary companies were subject to any qualification nor included any comment under sub-section (3) of Section 174 of the Act.

KPMG DESA MEGAT & CO.

Firm Number: AF 0759

Public Accountants

NG KIM TUCK

Partner

Approval Number: 1150/3/02(J/PH)

Kuala Lumpur,

Date: 17 May 2000

	Note	RM'000	1999 RM'000
FIXED ASSETS	3	1,307,267	1,284,817
INTEREST IN ASSOCIATED COMPANIES	5	2,356	2,535
LONG TERM RECEIVABLES		129,725	117,822
NET CURRENT ASSETS	6	287,314	239,068
		<hr/>	<hr/>
		1,726,662	1,644,242
EXPENDITURE CARRIED FORWARD	15	10	13
		<hr/>	<hr/>
		1,726,672	1,644,255
		<hr/>	<hr/>
LESS: LONG TERM FACILITY	18	71,283	75,393
DEFERRED TAXATION	19	52,433	40,060
		<hr/>	<hr/>
		123,716	115,453
		<hr/>	<hr/>
		1,602,956	1,528,802
		<hr/>	<hr/>
Financed by:–			
SHARE CAPITAL	20	496,727	496,727
RESERVES	21	1,074,986	1,000,901
		<hr/>	<hr/>
		1,571,713	1,497,628
MINORITY INTEREST		31,243	31,174
		<hr/>	<hr/>
		1,602,956	1,528,802
		<hr/>	<hr/>

The notes set out on pages 79 to 93 form an integral part of, and should be read in conjunction with, these accounts.

	Note	RM'000	1999 RM'000
Turnover	22	5,056,564	4,002,454
Profit for the year		212,889	362,175
Share of (losses)/profits in associated company		(147)	127
Profit before taxation and minority interests	23	212,742	362,302
Taxation	24	(67,060)	(8,411)
Profit after taxation but before minority interests		145,682	353,891
Minority interests' share of subsidiary company's (profits)/losses		(69)	111
Profit attributable to shareholders		145,613	354,002
Unappropriated profits brought forward		787,193	498,152
Profits available for appropriation		932,806	852,154
Appropriation:			
Dividends	25	(71,528)	(64,961)
Unappropriated profit carried forward	21	861,278	787,193
Earnings per share			
Basic	26	29.3 sen	86.0 sen
Retained as follows:			
Holding company		885,004	799,367
Subsidiary companies		(24,657)	(13,284)
Associated companies		931	1,110
		861,278	787,193

The notes set out on pages 79 to 93 form an integral part of, and should be read in conjunction with, these accounts.

	Note	RM'000	1999 RM'000
FIXED ASSETS	3	1,097,121	1,058,773
INTEREST IN SUBSIDIARY COMPANIES	4	59,475	59,475
INTEREST IN ASSOCIATED COMPANIES	5	1,425	1,425
LONG TERM RECEIVABLES		129,725	117,822
NET CURRENT ASSETS	6	349,671	312,043
		<u>1,637,417</u>	<u>1,549,538</u>
LESS: DEFERRED TAXATION	19	51,566	39,736
		<u>1,585,851</u>	<u>1,509,802</u>
Financed by:—			
SHARE CAPITAL	20	496,727	496,727
RESERVES	21	1,089,124	1,013,075
		<u>1,585,851</u>	<u>1,509,802</u>

The notes set out on pages 79 to 93 form an integral part of, and should be read in conjunction with, these accounts.

	Note	RM'000	1999 RM'000
Turnover	22	5,035,177	4,013,221
Profit before taxation	23	214,007	360,383
Taxation	24	(66,430)	(7,070)
Profit after taxation		147,577	353,313
Unappropriated profits brought forward		799,367	511,015
Profits available for appropriation		946,944	864,328
Dividends	25	(71,528)	(64,961)
Unappropriated profits carried forward	21	875,416	799,367

The notes set out on pages 79 to 93 form an integral part of, and should be read in conjunction with, these accounts.

	RM'000	1999 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	5,025,502	4,042,864
Cash paid to suppliers and employees	(4,519,491)	(3,641,623)
Net cash generated from operations	506,011	401,241
Tax paid	(56,748)	(61,508)
Net cash inflow from operating activities	449,263	339,733
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(129,550)	(158,902)
Interest income from fund investments	17,471	17,797
Prepaid rental of service station sites	(17,987)	(4,840)
Proceeds from sales of fixed assets	630	7,414
Net cash outflow from investing activities	(129,436)	(138,531)
CASH FLOWS FROM FINANCING ACTIVITIES		
Minority interest's subscription to subsidiary's share capital	—	4,725
Proceeds from issuance of ordinary share capital arising from conversion of warrants	—	262,727
Drawdown of Al-Murabahah Note Issuance Facility	—	130,000
Repayment of Al-Murabahah Note Issuance Facility	(130,000)	—
Term loan repayment	(282)	(1,009)
Repayment of Islamic debt securities	—	(300,000)
Interest paid	(5,068)	(3,068)
Dividend paid	(71,528)	(58,205)
Repayment of Al-Bai Bithaman Ajil long term facility	(2,607)	—
Repayment to minority shareholders	—	(2,815)
Net cash (outflow)/inflow from financing activities	(209,485)	32,355
NET INCREASE IN CASH AND CASH EQUIVALENTS	110,342	233,557
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	378,306	144,749
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	488,648	378,306
CASH AND CASH EQUIVALENTS		
Cash and bank balances	54,955	36,534
Fund investments	433,693	341,772
	488,648	378,306

The notes set out on pages 79 to 93 form an integral part of, and should be read in conjunction with, these accounts.

1. PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year remained unchanged and consist of the domestic marketing of petroleum products and the operation of service stations. The principal activities of its subsidiary and associated companies are stated in Notes 29 and 30 to the accounts respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Accounting

The accounts of the Company are prepared under the historical cost convention and in accordance with applicable approved accounting standards in Malaysia other than the non-disclosure of cost of goods sold.

2.2 Basis of Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiary companies, all of which are listed in Note 29 to the accounts. The consolidation is based on the accounts of the subsidiary companies made up to 31 March 2000.

All internal transactions are eliminated on consolidation and the turnover and profits relate to external transactions only.

The proportion of the profit or loss after taxation applicable to minority shareholders or to any pre-acquisition period is deducted in arriving at the profits attributable to the shareholders of the Company.

The total assets and liabilities of the subsidiary companies are included in the Group balance sheet and the interest of minority shareholders in the net assets employed is stated separately.

2.3 Associated Companies

Associated companies are those companies in which the Company owns a long term equity interest of between 20% and 50% and where the Company exercises significant influence, including representation on the Board of Directors, over the financial and operating policies of the investee company.

The Group's share of profits or losses of associated companies is incorporated in the consolidated profit and loss account in place of dividend received or receivable from the associated companies. The Group's share of reserves and retained profits less losses is added to the cost of investment in the consolidated balance sheet. These amounts are taken from the latest audited accounts and management accounts of the associated companies.

2.4 Long Term Receivables

Prepaid rental of service station sites is accounted for as Long Term Receivables. The prepayments are expensed off on a straight line basis over the period of the agreements.

2.5 Fixed Assets and Depreciation

Fixed assets other than freehold land and construction-in-progress are depreciated on a straight line basis over the estimated useful lives of the related assets. Freehold land is not depreciated.

Buildings are depreciated over 20 and 50 years or over the remaining land lease period, whichever is shorter.

Leasehold land is depreciated over the lease period of 20 to 999 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Fixed Assets and Depreciation (continued)

The annual rates of depreciation on the other fixed assets used are:–

<i>Plant, machinery and tankage</i>	<i>5% to 20%</i>
<i>Office equipment, furniture and fittings</i>	<i>15% to 20%</i>
<i>Motor vehicles</i>	<i>25%</i>
<i>Leasehold improvements</i>	<i>Over the remaining lease period or 3 years, whichever is shorter</i>
<i>Computer hardware and software</i>	<i>20%</i>

Fixed assets individually costing less than RM5,000 are expensed off in the year of purchase.

2.6 Finance Charges Relating to Project in Progress

Finance charges on specific and identifiable borrowings to finance projects in progress are capitalised as part of the costs of the projects until the projects are ready for their intended use.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value on the weighted average basis. The cost of stocks includes direct costs and transportation charges necessary to bring the stocks to their present locations and condition.

2.8 Expenditure Carried Forward

Expenditure carried forward in the subsidiary companies consists of preliminary and pre-operating expenses. Preliminary expenses is written off in the first year of operation while pre-operating expenses will be amortised over a period of five years commencing from the first complete year of commercial operation.

2.9 Retirement Benefits

The Company contributes monthly to the PETRONAS Group Retirement Benefit Fund (the Fund) based on the eligible employees' monthly salary less statutory contribution, to finance the retirement benefits payable to the eligible employees in accordance with the group retirement benefit scheme. The assets of the Fund are held separately for the Company by the Trustees and the liability of the Fund is determined by the accrued benefit method calculated based on Projected Past Service Liability for the eligible employees. The monthly maximum tax allowable contribution paid over to PETRONAS by the Company who in turn pays into the Fund. The excess is paid by the Company to a special account in PETRONAS as a provision for retirement benefits.

An actuarial valuation of the Fund is conducted by a qualified independent actuary at least once in every three years. The last valuation was done on 31 March 2000 and this valuation showed that the net realisable value of the Fund assets are sufficient to meet the actuarially determined value of vested benefits.

2.10 Deferred Taxation

Deferred taxation is calculated under the liability method in respect of all material timing differences except where it is reasonably expected that the tax effect of such deferrals will continue in the foreseeable future and there are no indications they will reverse thereafter. Deferred tax benefits are only recognised where there is reasonable expectation of realisation in the near future.

2.11 Foreign Currency Transaction

Assets and liabilities in foreign currencies at balance sheet date have been translated at rates ruling on the balance sheet date. Transactions in foreign currencies have been translated into Ringgit Malaysia at rates of exchange ruling on the transaction dates. Gains and losses on exchange arising from translation of short-term assets and liabilities are dealt with in the profit and loss account.

2.12 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

3. FIXED ASSETS

Group	Cost at				Cost at
2000	1.4.1999	Additions	Disposals	Transfers	31.3.2000
	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold land	171,838	–	–	29,003	200,841
Leasehold land					
– long term	85,058	–	(420)	7,000	91,638
– short term	40,417	–	–	–	40,417
Buildings	590,260	1,526	(1,052)	49,368	640,102
Leasehold improvements	826	–	–	–	826
Plant, machinery, tankage and pipeline	728,827	7,558	(5,336)	26,961	758,010
Office equipment, furniture and fittings	32,795	2,797	(141)	–	35,451
Motor vehicles	30,764	616	(900)	–	30,480
Computer hardware and software	50,440	699	(4,744)	45,117	91,512
Projects in progress	71,523	113,663	–	(157,449)	27,737
	1,802,748	126,859	(12,593)	–	1,917,014

	Accumulated	Depreciation		Accumulated	Net book
	depreciation	charge for	Disposals	depreciation	value at
	at 1.4.1999	the year	RM'000	at 31.3.2000	31.3.2000
	RM'000	RM'000		RM'000	RM'000
Freehold land	–	–	–	–	200,841
Leasehold land					
– long term	8,406	1,182	(91)	9,497	82,141
– short term	11,066	1,372	–	12,438	27,979
Buildings	186,805	30,240	(659)	216,386	423,716
Leasehold improvements	455	68	–	523	303
Plant, machinery, tankage and pipeline	256,490	52,672	(5,240)	303,922	454,088
Office equipment, furniture and fittings	14,763	2,495	(128)	17,130	18,321
Motor vehicles	25,130	2,416	(900)	26,646	3,834
Computer hardware and software	14,816	13,094	(4,705)	23,205	68,307
Projects in progress	–	–	–	–	27,737
	517,931	103,539	(11,723)	609,747	1,307,267

3. FIXED ASSETS (CONTINUED)

Group	Net Book Value		Depreciation charge for the year ended
	31.3.2000 RM'000	31.3.1999 RM'000	31.3.1999 RM'000
At cost			
Freehold land	200,841	171,838	–
Leasehold land			
– long term	82,141	76,652	1,122
– short term	27,979	29,351	1,371
Buildings	423,716	403,455	27,424
Leasehold improvements	303	371	13
Plant, machinery, tankage and pipeline	454,088	472,337	51,861
Office equipment, furniture and fittings	18,321	18,032	6,432
Motor vehicles	3,834	5,634	2,922
Computer hardware and software	68,307	35,624	4,604
Projects in progress	27,737	71,523	–
	<u>1,307,267</u>	<u>1,284,817</u>	<u>95,749</u>

The additions to projects-in-progress during the year include the following:-

	1999 RM'000
Profit share margin from ABBA Long Term Facility at Nil (1999 – 8.0%) per annum	<u>–</u>
	<u>1,220</u>

Company 2000	Cost at 1.4.1999 RM'000	Additions RM'000	Disposals RM'000	Transfers RM'000	Cost at 31.3.2000 RM'000
Freehold land	171,838	–	–	29,003	200,841
Leasehold land					
– long term	85,058	–	(420)	7,000	91,638
– short term	40,417	–	–	–	40,417
Buildings	563,228	1,526	(1,052)	49,368	613,070
Leasehold improvements	826	–	–	–	826
Plant, machinery, tankage and pipeline	522,499	7,558	(5,336)	25,739	550,460
Office equipment, furniture and fittings	28,036	2,796	(141)	–	30,691
Motor vehicles	29,746	616	(900)	–	29,462
Computer hardware and software	44,073	681	(4,744)	45,117	85,127
Projects in progress	73,784	112,441	–	(156,227)	29,998
	<u>1,559,505</u>	<u>125,618</u>	<u>(12,593)</u>	<u>–</u>	<u>1,672,530</u>

3. FIXED ASSETS (CONTINUED)

	Accumulated depreciation at 1.4.1999 RM'000	Depreciation charge for the year RM'000	Disposals RM'000	Accumulated depreciation at 31.3.2000 RM'000	Net book value at 31.3.2000 RM'000
Freehold land	—	—	—	—	200,841
Leasehold land					
– long term	8,405	1,182	(91)	9,496	82,142
– short term	11,067	1,372	—	12,439	27,978
Buildings	185,802	28,952	(659)	214,095	398,975
Leasehold improvements	455	68	—	523	303
Plant, machinery, tankage and pipeline	242,322	39,218	(5,240)	276,300	274,160
Office equipment, furniture and fittings	13,938	1,627	(128)	15,437	15,254
Motor vehicles	24,958	2,161	(900)	26,219	3,243
Computer hardware and software	13,785	11,820	(4,705)	20,900	64,227
Projects in progress	—	—	—	—	29,998
	500,732	86,400	(11,723)	575,409	1,097,121

Company	Net Book Value		Depreciation charge for the year ended
	31.3.2000 RM'000	31.3.1999 RM'000	31.3.1999 RM'000
At cost			
Freehold land	200,841	171,838	—
Leasehold land			
– long term	82,142	76,653	1,121
– short term	27,978	29,350	1,372
Buildings	398,975	377,426	26,452
Leasehold improvements	303	371	13
Plant, machinery, tankage and pipeline	274,160	280,177	40,502
Office equipment, furniture and fittings	15,254	14,098	5,852
Motor vehicles	3,243	4,788	2,750
Computer hardware and software	64,227	30,288	3,629
Projects in progress	29,998	73,784	—
	1,097,121	1,058,773	81,691

The titles to certain freehold and leasehold land are in the process of being registered in the Company's name.

Long term leasehold land comprises leasehold interests with an unexpired term in excess of fifty years.

4. INTEREST IN SUBSIDIARY COMPANIES

	Company	
	1999	1999
	RM'000	RM'000
Unquoted shares at cost	66,475	66,475
Less: Provision for diminution in value	(7,000)	(7,000)
	59,475	59,475

Details of the subsidiary companies are stated in Note 29 to the accounts.

5. INTEREST IN ASSOCIATED COMPANIES

	Group		Company	
	1999	1999	1999	1999
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	1,425	1,425	1,425	1,425
Share of profits and reserves	931	1,110	–	–
	2,356	2,535	1,425	1,425

Details of the associated companies are stated in Note 30 to the accounts.

6. NET CURRENT ASSETS

		Group		Company	
	Note	1999	1999	1999	1999
		RM'000	RM'000	RM'000	RM'000
CURRENT ASSETS					
Stocks	7	222,317	142,327	222,186	141,509
Trade debtors	8	404,267	379,610	395,477	375,449
Other debtors	9	239,965	101,406	239,768	101,276
Amount due from:					
– holding company	10	6,772	–	6,772	–
– subsidiary company	11	–	–	64,577	64,785
– related companies	12	36,979	8,466	36,402	8,466
– associated companies	13	1,984	2,164	1,984	2,164
Fund investment	14	433,693	341,772	408,804	333,581
Cash and bank balances		54,955	36,534	53,823	36,047
		1,400,932	1,012,279	1,429,793	1,063,277

6. NET CURRENT ASSETS (CONTINUED)

		Group		Company	
	Note	RM'000	1999 RM'000	RM'000	1999 RM'000
CURRENT LIABILITIES					
Other creditors		196,775	223,140	166,638	203,362
Amount due to:					
– holding company	10	–	13,001	–	13,001
– subsidiary company	11	–	–	851	1,383
– related companies	12	781,711	270,137	781,711	270,137
Al-Murabahah note					
issuance facility	16	–	130,000	–	130,000
Term loan	17	–	282	–	282
Al Bai'Bithaman Ajil Facility	18	4,110	2,607	–	–
Provision for taxation		95,258	98,280	95,158	97,305
Proposed dividend		35,764	35,764	35,764	35,764
		1,113,618	773,211	1,080,122	751,234
NET CURRENT ASSETS					
		287,314	239,068	349,671	312,043

7. STOCKS

	Group		Company	
	RM'000	1999 RM'000	RM'000	1999 RM'000
Petroleum products	205,103	112,466	205,103	111,648
Lubricants	17,671	18,486	17,671	18,486
Others	1,243	13,075	1,112	13,075
	224,017	144,027	223,886	143,209
Less: Provision for stock obsolescence	(1,700)	(1,700)	(1,700)	(1,700)
	222,317	142,327	222,186	141,509

8. TRADE DEBTORS

	Group		Company	
		1999		1999
	RM'000	RM'000	RM'000	RM'000
Trade debtors	413,330	403,975	404,540	399,814
Less: Provision for doubtful debts	(9,063)	(24,365)	(9,063)	(24,365)
	404,267	379,610	395,477	375,449

9. OTHER DEBTORS

	Group		Company	
		1999		1999
	RM'000	RM'000	RM'000	RM'000
Other debtors, deposits and prepayments	245,289	106,733	245,092	106,603
Less: Provision for doubtful debts	(5,324)	(5,327)	(5,324)	(5,327)
	239,965	101,406	239,768	101,276

10. AMOUNT DUE FROM/TO HOLDING COMPANY

The holding company is Petroliam Nasional Berhad (PETRONAS), a company incorporated in Malaysia.

The amount due from and to holding company arose in the normal course of business.

11. AMOUNT DUE FROM/TO SUBSIDIARY COMPANIES

The amount due from and to subsidiary companies arose in the normal course of business except for an amount of RM44,127,000 (1999 – RM59,877,000). This amount consists of principal and interest outstanding. The principal amount is an unsecured cash advance due on demand and bears interest ranging from 7.55% to 8.55% per annum (1999 – 8.80% to 12.85%).

12. AMOUNT DUE FROM/TO RELATED COMPANIES

The amount due from and to related companies arose in the normal course of business.

13. AMOUNT DUE FROM ASSOCIATED COMPANIES

The amount due from associated companies arose in the normal course of business.

14. FUND INVESTMENTS

	Group		Company	
	RM'000	1999 RM'000	RM'000	1999 RM'000
<i>Deposits placed with:</i>				
Licensed banks	313,512	278,191	288,623	270,000
Finance companies	120,181	—	120,181	—
Discount houses	—	63,581	—	63,581
	433,693	341,772	408,804	333,581

15. EXPENDITURE CARRIED FORWARD

	Group	
	RM'000	1999 RM'000
<i>Preliminary expenses</i>		
Balance at 1 April	—	40
Written-off during the year	—	(40)
Balance at 31 March	—	—
<i>Pre-operating expenses</i>		
Balance at 1 April	13	15
Amortisation during the year	(3)	(2)
Balance at 31 March	10	13

16. AL-MURABAHAH NOTE ISSUANCE FACILITY (MUNIF) (UNSECURED)

	Group and Company	
	RM'000	1999 RM'000
<i>Al-Murabahah Note Issuance Facilities</i>	—	130,000

The Company entered into a RM250,000,000 non-redeemable note issuance facility under the Syariah Principle of Al-Murabahah on 6 March 1997. The facility has an availability period of five years during which the Company may issue notes in multiples of RM1,000,000 subject to a minimum of RM10,000,000 and up to a maximum outstanding amount of RM250,000,000. The Notes have maturity periods ranging from one to nine months and are non-interest bearing securities. The Company has no Notes outstanding from this facility at balance sheet date.

17. TERM LOAN

	Group and Company	
	1999	
	RM'000	RM'000
Secured term loan	—	282
Less: Amount repayable within one year	—	(282)
Amount repayable after one year	—	—

The secured term loan comprise:

RM Term Loan	RM7,900,000
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The RM term loan was secured by way of fixed and floating charges over properties located at the LPG Import Terminal Cum Bottling Plant (excluding land) in Kuching, Sarawak. The net book value at 31 March 1999 of assets charged is RM 2,247,696.

Six additional monthly instalments were payable due to the higher average base lending rates during the tenor of the loan.

18. LONG TERM FACILITY

	Group	
	1999	
	RM'000	RM'000
Al Bai'Bithaman Ajil long term facility	75,393	78,000
Less: Amount repayable within one year	(4,110)	(2,607)
	71,283	75,393

The Al Bai'Bithaman Ajil long term non-interest bearing facility is repayable by 40 equal quarterly instalments of RM3,301,999 each (inclusive of profit share margin of 8.0% per annum), commencing 25 months from 30 September 1997 and is secured by way of floating charges over the fixed assets financed. The net book value at 31 March 2000 of the assets charged is RM166,767,905 (1999 – RM177,933,738).

19. DEFERRED TAXATION

Subject to agreement by the Inland Revenue Board, the deferred tax liability is as follows:-

	Group		Company	
		1999		1999
	RM'000	RM'000	RM'000	RM'000
Balance at 1 April	40,060	36,336	39,736	36,336
Transferred from profit and loss	12,373	3,724	11,830	3,400
Balance at 31 March	52,433	40,060	51,566	39,736

20. SHARE CAPITAL

	Group and Company	
		1999
	RM'000	RM'000
Authorised:		
Ordinary shares of RM1.00 each	1,000,000	1,000,000
Issued and fully paid:		
At 1 April	496,727	402,896
On conversion of Nil (1999 – 93,831,000) warrants for ordinary shares of RM1.00 each	–	93,831
At 31 March	496,727	496,727

The Company issued 120,000,000 detachable warrants on 23 February 1994 in conjunction with the issuance of RM300,000,000 nominal amount of Unsecured Redeemable Islamic Debt Securities. The warrants attached were issued on the basis of two (2) warrants for every RM5.00 nominal amount of Unsecured Redeemable Islamic Debt Securities. The warrants were in registered form and constituted by a Deed Poll and entitles the registered holder to subscribe for one (1) new ordinary share of RM1.00 in the Company at a price of RM2.80 per ordinary share for every warrant held. The conversion ratio was subject to the aforesaid Deed Poll and could be exercised at any time during the five year subscription period which expired on 23 February 1999.

In the previous year, the registered holders of 93,831,000 warrants exercised their rights and subscribed for the equivalent number of new ordinary shares. The remaining balance of 1,273,000 warrants were not presented for conversion and the rights had lapsed.

21 RESERVES

	Group		Company	
	RM'000	1999 RM'000	RM'000	1999 RM'000
<i>Non-distributable:</i>				
<i>Share premium</i>				
<i>Balance at 1 April</i>	213,708	44,812	213,708	44,812
<i>Share premium received during the year from issuance of Nil (1999 – 93,831,000) ordinary shares on the exercise by warrant holders at a premium of RM1.80 per ordinary share</i>	–	168,896	–	168,896
<i>Balance at 31 March</i>	213,708	213,708	213,708	213,708
<i>Distributable:</i>				
<i>Unappropriated profits</i>	861,278	787,193	875,416	799,367
	1,074,986	1,000,901	1,089,124	1,013,075

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax exempt income and tax credit under Section 108 of the Income Tax Act, 1967 to distribute all the distributable reserves at 31 March 2000 if paid out as dividends.

22. TURNOVER

Turnover represents the invoiced value of petroleum and related products sold.

23. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at:

	Group		Company	
	RM'000	1999 RM'000	RM'000	1999 RM'000
<i>After charging:—</i>				
Audit fees	182	289	157	254
Provision for doubtful debts	—	15,604	—	15,604
Provision for diminution in investments	—	—	—	7,000
Depreciation	103,539	95,749	86,400	81,691
Rental of land and buildings	26,315	24,911	19,837	19,525
Interest expense	8,196	8,175	1,071	3,032
Rental of plant and equipment	1,431	1,021	1,413	1,021
Retirement benefits	3,363	3,467	3,363	3,467
Director's benefit-in-kind	18	16	18	16
Directors' fees	216	214	216	214
Amortisation of pre operating expenses	3	2	—	—
Fixed assets expensed off	1,741	1,246	1,741	1,246
<i>And crediting:—</i>				
Provision for doubtful debts written back	15,302	—	15,302	—
Gain on disposal of fixed assets (net of tax -Nil; 1999 - RM288,000)	68	4,497	68	4,497
Interest income				
— fixed deposits	17,471	17,797	16,915	17,634
Income from rental of premises	713	820	713	820

24. TAXATION

	Group		Company	
	RM'000	1999 RM'000	RM'000	1999 RM'000
<i>Income tax:</i>				
Current year	54,655	4,645	54,600	3,670
<i>Deferred taxation:</i>				
Transfer to deferred taxation	12,373	3,724	11,830	3,400
	67,028	8,369	66,430	7,070
Share of income tax in associated company	32	42	—	—
	67,060	8,411	66,430	7,070

24. TAXATION (CONTINUED)

The effective tax rate of the Group and of the Company is higher than the statutory tax rate due to certain expenses disallowed for tax purposes.

In 1999, the effective tax rate of the Group and the Company was lower than the statutory rate in view of the income tax waiver for 1999 pursuant to the Income Tax (Amendment) Act, 1999.

25. DIVIDENDS

	— Group and Company —	
	1999	
	RM'000	RM'000
Interim dividend of 10% less tax at 28% (1999 – 7% less tax at 28%)	35,764	29,097
Additional payment of last year's final dividend	—	100
Proposed final dividend of 10% less tax at 28% (1999 – 10% less tax at 28%)	35,764	35,764
	<u>71,528</u>	<u>64,961</u>

The additional payment of dividends made in the previous year was in respect of warrants converted to ordinary shares between 1 April and 15 August 1998, being the dividend entitlement date.

26. EARNINGS PER SHARE

The Group's earnings per share is calculated based on profit after taxation and minority interest of RM145,613,000 (1999 – RM354,002,000) and on 496,727,000 (1999 – 411,821,000) weighted average number of ordinary shares in issue.

27. CAPITAL COMMITMENTS

Outstanding commitments in respect of capital expenditure at balance sheet date not provided for in the accounts are:—

	Group		Company	
	1999		1999	
	RM'000	RM'000	RM'000	RM'000
Approved and contracted for	82,319	81,564	82,046	81,564
Approved but not contracted for	36,701	17,214	36,508	17,214
	<u>119,020</u>	<u>98,778</u>	<u>118,554</u>	<u>98,778</u>

28. SIGNIFICANT RELATED PARTIES TRANSACTIONS

	Group		Company	
	1999		1999	
	RM'000	RM'000	RM'000	RM'000
<i>Related companies</i>				
Sales of petroleum products	149,694	91,951	268,129	161,248
Purchases of petroleum products	3,965,062	2,309,203	3,965,062	2,347,585

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on a commercial basis.

29. SUBSIDIARY COMPANIES AND ACTIVITIES

Companies Incorporated in Malaysia	Effective Percentage Holding		Principal Activity
	2000	1999	
Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	65%	65%	Operation of aviation fuelling facilities at Kuala Lumpur International Airport, Sepang.
West Port Bunkering Services Sdn. Bhd.	70%	70%	Marketing of bunker fuel and the operation of bunkering facilities at West Port, Port Klang.

30. ASSOCIATED COMPANIES AND ACTIVITIES

Companies Incorporated in Malaysia	Effective Percentage Holding		Principal Activity
	2000	1999	
Lub Dagangan Sdn. Bhd.	20%	20%	Marketing and distribution of lubricants.
PS Pipeline Sdn. Bhd.	50%	50%	To maintain and operate the Multi-Product Pipelines and Klang Valley Distribution Terminals (MPP-KVDT) and the associated facilities for the transportation of the petroleum products on behalf of the MPP-KVDT owners/ shareholders on a cost recovery basis.
PS Terminal Sdn. Bhd.	50%	50%	To operate, manage and maintain the joint facilities – terminal, depot, warehouse etc. in Tawau on behalf of the owners Shell Timur Sdn. Bhd. and PETRONAS Dagangan Berhad.

31. SEGMENTAL INFORMATION

Financial information by activity and geographical segment is not presented as the Group's activities are principally in the domestic marketing of petroleum products and the operation of service stations which are conducted in Malaysia.