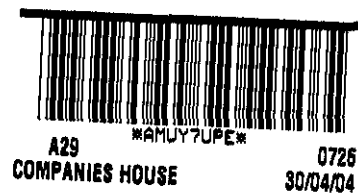


FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003**



Registered No. 03904310

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2003**

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**FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 2003**

Directors:	R W Adams	(resigned 30/06/03)
	G R Cooper	
	B M McCorkell	(resigned 15/08/02)
	S W Paul	
	P L Polson	(resigned 25/10/02)
	P M Stark	(resigned 25/11/02)
	T D T Waring	(appointed 01/10/03)

Secretary: J S Ayling

Registered Office: 3rd Floor, 30 Cannon Street, London, EC4M 6YQ

The Directors present their report and the audited financial statements for the year ended 30th June 2003.

Principal Activities and Status

The principal activity of the Company is acting as group holding company.

Commonwealth Bank of Australia, incorporated in Australia and listed on the Australian Stock Exchange, is regarded by the Directors of the Company as the Company's ultimate parent company.

Review of Business and Future Developments

First State Investments is a specialist provider of investment management services, aiming to consistently deliver high quality outcomes to target investors and their advisers across our key geographies.

We are focused on offering products to institutional clients and intermediary distributors in the UK, Asia, Europe and the US in a focused range of core categories:

- global growth and selected global sector equities
- Asia Pacific and global emerging market equities
- global and domestic fixed income
- British and European smaller companies.

Our specialist approach fits well to key thematic trends in our industry, including:

- the drive towards compulsory pension markets in, amongst other nations, the UK, Germany and France
- the continued shift in institutional assets currently held under management from traditional "balanced" portfolios to "specialist" portfolio structures
- the growing demand for truly global portfolios amongst institutional investors.

**FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 2003**

Review of Business and Future Developments Contd.

In 2003 we combined First State's Asian and UK operations into one business, providing an exciting platform from which to grow our product range and business structure. We focus on the following goals as we continue to develop our investment management business:

- to achieve superior investment performance across our range of products
- to develop innovative investment products that meet the evolving and diverse needs of our clients
- to build high quality relationships with our clients
- to respect the relationship between investors and their advisors.

As part of this strategic positioning of the UK business, the private client and charity businesses were sold to Adam & Company on 23rd August 2002, so that the Company can concentrate on the core retail and institutional arenas.

Results and Dividends

The loss for the year, after taxation was £22,213,136 (2002: £13,502,672). The Directors do not recommend the payment of a final dividend.

Directors and their Interests

The Directors of the Company during the year were those listed above. None of the Directors had, at the end of the year, any interest in shares or debentures of the Company or other UK group companies. No Director nor a member of his immediate family was during the financial year granted, nor did any such person exercise, any right to subscribe for shares in or debentures of the Company or another UK body corporate in the same group. None of the Directors has an interest in the share capital of Commonwealth Bank of Australia, the ultimate parent company, except for G R Cooper who holds 311 ordinary shares.

Directors' and Officers' Insurance

An insurance policy has been effected for the Directors and Officers of all Group companies in respect of potential liabilities arising from any negligence or error.

Statement of Directors' Responsibilities in respect of the Accounts

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 for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

**FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 2003**

Statement of Directors' Responsibilities in respect of the Accounts Contd.

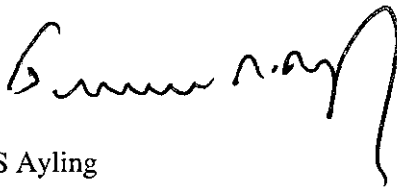
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors and General Meetings

The Company has by elective resolution dispensed with:

- (i) the laying of financial statements and reports before the Company in general meeting;
- (ii) the holding of an annual general meeting; and
- (iii) the obligation to appoint auditors annually.

By Order of the Board



J S Ayling
Secretary
EDINBURGH
28th April 2004

INDEPENDENT AUDITORS' REPORT

to the members of First State Investments (UK Holdings) Limited

We have audited the Company's financial statements for the year ended 30th June 2003 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet and the related notes 1 to 23. These financial statements 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 financial statements in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the financial statements 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.

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 financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the group as at 30th June 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Edinburgh
28th April 2004

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2003

	Notes	Year ended 30th June 2003 £	Year ended 30th June 2002 £
Turnover	2	15,421,336	16,184,121
Operating expenses		<u>(38,116,809)</u>	<u>(34,544,302)</u>
Operating loss	3	(22,695,473)	(18,360,181)
Other (expenses)/income	6	(3,407,369)	212,198
Net interest receivable	7	<u>601,635</u>	<u>218,170</u>
Loss on ordinary activities before tax		(25,501,207)	(17,929,813)
Tax on loss on ordinary activities	8	<u>3,288,071</u>	<u>4,427,141</u>
Loss on ordinary activities after tax	20	<u>(22,213,136)</u>	<u>(13,502,672)</u>

There were no acquisitions during the year.

As mentioned in the Report of the Directors, the private client and charity businesses were sold to Adam & Company on 23rd August 2002. It is not possible to separately disclose the results of this discontinued operation.

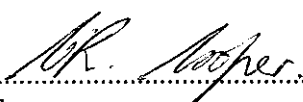
There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

There were no recognised gains or losses in either period other than those shown above.

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2003

	Notes	£	2003 £	£	2002 £
Fixed Assets					
Intangible investment	11	3,771,995		-	
Goodwill	9	21,623,858		34,520,400	
Tangible assets	10	<u>2,916,483</u>		<u>3,830,385</u>	
			28,312,336		38,350,785
Investments					
Investments in joint ventures:					
Share of gross assets	11	13,166		67,319	
Share of gross liabilities	11	<u>(13,166)</u>		<u>(67,319)</u>	
			-		-
			28,312,336		38,350,785
Current Assets					
Investments		1,065,426		233,656	
Debtors	12	37,564,081		33,695,206	
Cash at bank		<u>8,426,871</u>		<u>28,250,433</u>	
		47,056,378		62,179,295	
Creditors					
Amounts falling due within one year	13	<u>(27,937,904)</u>		<u>(36,420,755)</u>	
Net Current Assets			19,118,474		25,758,540
			47,430,810		64,109,325
Creditors					
Amounts falling due after one year	14		(1,345,313)		-
Provisions for liabilities & charges	15		-		(10,692)
Net Assets			<u>46,085,497</u>		<u>64,098,633</u>
Capital and Reserves					
Share Capital	16		101,126,088		96,926,088
Other Reserves	17		25,000		25,000
Profit and Loss Account	20		<u>(55,065,591)</u>		<u>(32,852,455)</u>
	21		<u>46,085,497</u>		<u>64,098,633</u>
Analysis of Shareholders' Funds					
Equity			9,468,580		27,481,716
Non-equity			<u>36,616,917</u>		<u>36,616,917</u>
			<u>46,085,497</u>		<u>64,098,633</u>

The financial statements on pages 5 to 26 were approved by the Board of Directors on 28th April 2004 and were signed on its behalf by:

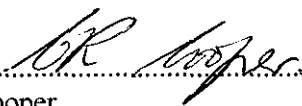
 Director
G R Cooper

28th April 2004

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
BALANCE SHEET
AS AT 30TH JUNE 2003

	Notes	2003 £	2002 £
Fixed assets			
Investments:			
Shares in group undertakings	11	57,890,000	88,653,673
Current assets			
Debtors : amounts due within one year	12	3,125,794	10,116,792
Cash at bank		<u>1,355,872</u>	<u>1,330,678</u>
		4,481,666	11,447,470
Creditors			
Amounts falling due within one year	13	<u>(4,207,406)</u>	<u>(7,145,105)</u>
Net current assets/Total Assets		<u>274,260</u>	<u>4,302,365</u>
		<u>58,164,260</u>	<u>92,956,038</u>
Capital and Reserves			
Share Capital	16	101,126,088	96,926,088
Profit and Loss Account	20	<u>(42,961,828)</u>	<u>(3,970,050)</u>
		<u>58,164,260</u>	<u>92,956,038</u>
Analysis of Shareholders' Funds			
Equity		21,547,343	56,339,121
Non-equity		<u>36,616,917</u>	<u>36,616,917</u>
		<u>58,164,260</u>	<u>92,956,038</u>

The financial statements on pages 5 to 26 were approved by the Board of Directors on 28th April 2004 and were signed on its behalf by:

.....  Director
G R Cooper

28th April 2004

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below:

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified for the valuation of investments (see note (h)).

(b) Basis of consolidation

The Consolidated Profit and Loss Account and Balance Sheet include the financial statements of the Company and its subsidiary undertakings for the year to 30th June 2003.

(c) Leases

Costs in respect of operating leases are charged in arriving at the operating loss. There are no assets held under finance leases.

(d) Pension scheme arrangements and FRS17: "Accounting for Retirement Benefits"

The Group operates two defined benefit pension schemes. The funds are valued every three years by professionally qualified independent actuaries, the rates of contribution payable being determined by the actuaries. In the intervening years the actuaries review the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the group benefits from the employees' services. The effects of variations from regular costs are spread over the expected average remaining service lives of members of the schemes. The Group provides no other post retirement benefits to its employees. As part of the notes to the financial statements, the directors have implemented, as far as is necessary, FRS17 : "Accounting for Retirement Benefits". Note 19 sets out the assumptions used in and outcomes of the prescribed FRS17 valuation of the assets and liabilities of the Group's pension schemes at 30 June 2003. The result of implementing FRS17 this year is to disclose within note 19 a net pension liability after tax of £18.9m (2002:£11.7m) which, if provision was required to be made in the balance sheet, would reduce (2002 – reduce) P&L reserves by a corresponding amount.

(e) Depreciation and Fixed Assets

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold improvements	-	4%
Office equipment	-	25%
Office furniture	-	15%
Computer software and network	-	33 ¹ / ₃ %
Website & Investment accounting system	-	20%

Computer and website development costs are capitalised where an ongoing benefit to the business can be demonstrated.

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

(f) Taxation

The charge for taxation is based on the profit or loss for the year as adjusted for disallowable items. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

(g) Foreign Currencies

Income received in foreign currencies is translated into sterling at the rate on the date of receipt. Foreign currency balances have been translated at market rates of exchange ruling at the Balance Sheet date. Gains and losses on exchange are taken to the Profit and Loss Account.

(h) Investments

Shares held in the First State OEIC investment purposes are valued at market value. Interests in joint ventures are shown at the share of the joint ventures' gross assets less gross liabilities. Other investments are at the lower of cost or Directors' valuation. The investment in the Babson Stewart Ivory International partnership is valued at the Company's share of the partnership's net assets (excluding the Company's share of trade debtors of the partnership which are accounted for within the Company's own debtors).

(i) Goodwill and Intangible Assets

Purchased goodwill represents the excess of the price paid on acquisition over the adjusted fair value of net assets acquired. Positive goodwill has arisen on the acquisition of the Stewart Ivory (Holdings) group and negative goodwill on the acquisition of the Colonial First State Investment Managers (UK) group. The carrying value of such goodwill is assessed annually. The Stewart Ivory Holdings goodwill was adjusted as shown in note 9 following the sale of the Private Client business in August 2002. Positive goodwill is amortised over a 20 year period.

The intangible investment in the Babson Partnership is valued based on the initial and deferred consideration paid to purchase the goodwill attaching to the clients and the rights to the client income in the future (see note 11). The total investment is being amortised over a 5 year period from the initial investment.

(j) Cashflow Statement

The company is a wholly owned subsidiary of Commonwealth Bank of Australia and the cashflows of the company are included in the consolidated group cash flow statement of Commonwealth Bank of Australia. Details of how these accounts can be obtained are given in Note 23. Consequently the company is exempt under the terms of Financial Reporting Standard No.1 from publishing a cash flow statement.

(k) Profit and Loss Account

The Company has taken advantage of the exemption in Section 230 of the Companies Act so as not to present a Profit & Loss Account for the Company's results.

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

2. Turnover

Turnover comprises the total of investment management and administration fees.
It is shown net of VAT and discounts.

	Year ended 30th June 2003 £	Year ended 30th June 2002 £
Attributable to origin of funds under management:		
UK	8,490,382	10,467,887
Overseas	6,930,954	5,716,234
	15,421,336	16,184,121

3. Operating Loss

	Year ended 30th June 2003 £	Year ended 30th June 2002 £
Operating loss is stated after charging/(crediting):		
Employment costs (note 4)	23,720,127	21,776,603
Amortisation of goodwill	1,290,783	1,944,536
Write-off of negative goodwill	-	1
Loss on sale of fixed assets	-	19,372
Depreciation of fixed assets	1,718,042	1,093,969
Provision of non-audit services by Auditor:		
Group	25,790	30,018
Company	4,000	-
Foreign exchange differences	5,027	(1,177)
Operating lease payments	942,318	966,079

The remuneration of the Company's auditors for the provision of audit services for the Group £61,400 (2002- £59,500); the Company £13,200 (2002 £12,500). This remuneration is being settled by a Group parent company.

4. Employment Costs

	Year ended 30th June 2003 £	Year ended 30th June 2002 £
Salaries	19,628,884	17,826,321
Social security costs	1,536,396	1,491,523
Pension costs	1,821,949	1,313,673
Other employment costs	732,898	1,145,086
	23,720,127	21,776,603

The average number of staff employed during the year was 182 (2002 - 200). This comprised 65 (2002 - 61) fund management staff and 117 administration staff (2002 - 139).

**FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED NOTES TO THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003**

5. Directors' Emoluments	Year ended 30th June 2003 £	Year ended 30th June 2002 £
Directors' emoluments, excluding pension contributions	<u>1,272,614</u>	<u>1,493,289</u>
Aggregate pension contributions of all Directors	<u>52,807</u>	<u>72,356</u>
The emoluments, excluding pension contributions, of the highest paid Director	<u>752,000</u>	<u>776,666</u>
Pension contributions of the highest paid director	<u>33,286</u>	<u>34,167</u>
Pension benefits are accruing to two (2002 – three) Directors under pension Schemes operated by the Company.		

6. Other (Expenses)/Income	Year ended 30th June 2003 £	Year ended 30th June 2002 £
Dividends received – unlisted investments	-	36,717
Loss on sale of investments	(4,345,434)	(19,372)
Other income	938,065	194,853
	<u>(3,407,369)</u>	<u>212,198</u>

The loss on sale of investments arises from the sale of the private client business to Adam and Company on 24th August 2002.

7. Net interest receivable/(payable)	Year ended 30th June 2003 £	Year ended 30th June 2002 £
Deposit interest receivable	848,240	1,353,044
Bank interest payable	(42,155)	(49,135)
Interest payable on loan from Colonial Finance Ltd	(7,639)	(719,955)
Interest payable on Loan Notes	(196,811)	(365,784)
	<u>601,635</u>	<u>218,170</u>

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

8. Tax on Loss on Ordinary Activities

The group relief on the loss on ordinary activities is different from that calculated at the standard rate of corporation tax in the UK of 30% (2002 - 30%). This difference is reconciled below:

	Year ended 30th June 2003 £	Year ended 30th June 2002 £
Loss on ordinary activities before tax	<u>25,501,207</u>	<u>17,929,813</u>
Loss multiplied by the standard rate of corporation tax (30%)	7,650,362	5,378,944
Loss on sale of investments not allowable for tax	(1,304,824)	-
Restriction on group relief claimed by other companies in same UK tax group	(3,057,467)	(951,803)
Total current group relief credit	<u>3,288,071</u>	<u>4,427,141</u>

The Group has tax losses arising from prior years in the UK which amount to £23,686,451 (2002 - £20,178,055) that are available indefinitely for offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses on the grounds of prudence. The deferred taxation creditor of £10,692 has been written down to zero in the year.

9 Goodwill

	£
<u>Cost</u>	
At 30th June 2002	38,890,727
Additions	-
Write-off	(13,075,062)
At 30th June 2003	<u>25,815,665</u>
<u>Amortisation</u>	
At 30th June 2002	4,370,327
Charge for the year	1,290,783
Disposals	(1,469,303)
At 30th June 2003	<u>4,191,807</u>
 Net Book Value	
At 30th June 2002	<u>34,520,400</u>
At 30th June 2003	<u>21,623,858</u>

The goodwill relates to the Stewart Ivory (Holdings) Ltd group which was acquired on 20th March 2000. The write-off is in respect of the disposal of the private client and charity business to Adam and Company on 24th August 2002.

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

10. Tangible Fixed Assets
The Group

	Leasehold Improvements	Office Furniture and Equipment	Motor Vehicles	Capitalised Development Expenditure	Total
	£	£	£	£	£
<u>Cost</u>					
At 30th June 2002	166,900	2,967,469	57,478	2,500,536	5,692,383
Additions	315,381	179,015	-	454,575	948,971
Disposals	-	(199,099)	(45,781)	-	(244,880)
At 30th June 2003	482,281	2,947,385	11,697	2,955,111	6,396,474
<u>Depreciation</u>					
At 30th June 2002	29,319	1,123,386	30,262	679,031	1,861,998
Charge for the year	44,625	559,358	13,416	1,100,643	1,718,042
Disposals	-	(65,417)	(34,632)	-	(100,049)
At 30th June 2003	73,944	1,617,327	9,046	1,779,674	3,479,991
<u>Net Book Value</u>					
At 30th June 2003	408,337	1,330,058	2,651	1,175,437	2,916,483
At 30th June 2002	137,581	1,844,083	27,216	1,821,505	3,830,385

11. Investments

(a) Group Undertakings

The Company has the following subsidiary undertakings:-

Name of Company	Description of shares held	Nature of Business	% held	2003	2002
				£	£
Colonial First State Investment Managers (UK) Limited	Ordinary £1 Redeemable £1	Fund Manager	100	5,650,000	5,650,000
First State Investment Services (UK) Limited	Ordinary £1	Service Company	100	1,000,000	1,000,000
SI (Holdings) Limited	Ordinary £1 'C' Ordinary £1	Holding Company	100	51,240,000	82,003,673
				<u>57,890,000</u>	<u>88,653,673</u>

The investment in SI (Holdings) Limited was increased by the issue of £8,075,000 ordinary shares and reduced by the £15,869,152 write-off of the private client business investment and a further £22,969,521 write-down in carrying value.

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

11. Investments Contd

(a) Group Undertakings (Contd.)

Name of Company	Description of shares held	Nature of Business	% held
First State Investments (UK) Limited *	Ordinary £1	Fund Manager	100
First State Investment Management (UK) Limited*	'A' Ord. £1	Fund Manager	100
	'B' Ord. £1		100
First State Investments International Limited *	Ordinary £1	Fund Manager	100

* held by a subsidiary company

(b) Intangible Investments

	£
<u>Cost</u>	
At 30th June 2002	-
Additions:	
Initial consideration	1,776,715
Deferred consideration	2,421,564
Costs	62,168
	<u>4,260,447</u>
<u>Amortisation</u>	
At 30th June 2002	-
Charge for the year	488,452
Disposals	-
At 30th June 2003	<u>488,452</u>
<u>Net Book Value</u>	
At 30th June 2003	<u>3,771,995</u>
At 30th June 2002	<u>-</u>

On 20th September 2002 the Company paid US\$ 2.75million (£1,776,715) for the goodwill attaching to the clients of the Babson joint venture and the right to receive 100% of income from all partnership clients from 20th September 2005, subject to those clients transferring their investment mandates from the partnership to the Company. The present value of the deferred consideration for those clients that had transferred at 30th June 2003, amounting to £2,421,564, has been recognised as a liability and as an increase in the carrying value of the intangible investment.

Once all clients have transferred to the Company, the Company has the right to purchase David L Babson's share of the partnership for US\$ 1,000.

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

11. Investments Contd.

(c) Joint Ventures

As at 30 June 2003 the Group has a 50% interest in two joint ventures as follows:

- (i) Babson Stewart Ivory International (BSII) which is a partnership between First State Investments International Limited and David L Babson and operates in the United States of America. On 25th September 2002, the Company paid David L Babson US \$2.75m (plus earn out commitments) for its share of the goodwill in the joint venture company operated by the two entities.
- (ii) Cunningham Stewart Ivory Limited (CSI) which is registered and operates in Northern Ireland. The two clients held by the joint venture at 30 June 2003 have now been sold to other investment managers. It is intended that the joint venture will be wound up in the short term.

In each case, the Group is entitled to a 50% share of profits. Details of the share of assets and liabilities attributable to the Group are given below:

	2003		2002	
	The Group	The Company	The Group	The Company
	£	£	£	£
BSII –Share of gross assets	13,166	-	24,743	-
CSI –Share of gross assets	-	-	42,576	-
	<u>13,166</u>	<u>-</u>	<u>67,319</u>	<u>-</u>
			-	-
BSII –Share of gross liabilities	(13,166)	-	(24,743)	-
CSI –Share of gross liabilities	-	-	(42,576)	-
	<u>(13,166)</u>	<u>-</u>	<u>(67,319)</u>	<u>-</u>

Both arrangements are engaged in investment management. The Directors are of the opinion that they do not exercise ultimate control over the entities although both interests represent joint arrangements under Financial Reporting Standard 9- Associates and Joint Ventures. The turnover in these accounts includes the Company's share of the income of these ventures which amounted to £1,746,424 for the year ended 30th June 2003 (2002- £1,660,107) and £3,450 (2002 - £36,717) respectively.

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12. Debtors: amounts falling due within one year

	2003		2002	
	The Group	The Company	The Group	The Company
	£	£	£	£
Trade debtors	31,393,874	-	28,498,575	-
Group undertakings	-	3,039,513	-	9,918,157
Tax recoverable	4,475,251	65,530	4,427,141	106,569
Other debtors	998,807	20,751	107,738	92,066
Prepayments	696,149	-	661,752	-
	<u>37,564,081</u>	<u>3,125,794</u>	<u>33,695,206</u>	<u>10,116,792</u>

13. Creditors: amounts falling due within one year

	2003		2002	
	The Group	The Company	The Group	The Company
	£	£	£	£
Trade creditors	16,782,409	-	23,135,594	-
Group undertakings	-	793,000	-	200
Other taxation and social security costs	456,898	-	354,670	-
Accruals	6,037,016	93,036	5,305,534	142,909
Loan Notes	3,321,370	3,321,370	7,001,996	7,001,996
Deferred consideration	1,076,251	-	-	-
Other Creditors	263,960	-	622,961	-
	<u>27,937,904</u>	<u>4,207,406</u>	<u>36,420,755</u>	<u>7,145,105</u>

The Loan Notes pay interest at LIBOR less 0.5 per cent. They are redeemable at par on 30th June or 31st December in any year from 31st December 2003 until 30th June 2007. Payments of principal and interest are guaranteed by Colonial Holding Company Pty Limited.

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
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14. Creditors: amounts falling due after one year

	The Group	The Group
	2003	2002
	£	£
Deferred consideration payable		
Payable between 1 – 2 years	1,076,251	-
Payable between 2 – 5 years	269,062	-
	<u>1,345,313</u>	<u>-</u>

The deferred consideration relates to the further investment in the goodwill of the Babson partnership.

15. Deferred Taxation

	The Group		The Company	
	Full Potential Liability £	Provision Made £	Full Potential Liability £	Provision Made £
Accelerated capital allowances	-	-	-	-
Other timing differences -				
At 30 June 2002	-	(10,692)	-	-
Movement in provision	-	10,692	-	-
At 30 June 2003	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

16. Share Capital

	The Group and Company 2003 £	The Group and Company 2002 £
Authorised:		
Ordinary shares of £1	100,000,000	100,000,000
Redeemable Preference shares of £1	<u>50,000,000</u>	<u>50,000,000</u>
	<u>150,000,000</u>	<u>150,000,000</u>
Issued and Fully Paid:		
Ordinary shares of £1	64,509,171	60,309,171
Redeemable Preference shares of £1	<u>36,616,917</u>	<u>36,616,917</u>
	<u>101,126,088</u>	<u>96,926,088</u>

2,200,000 and 2,000,000 £1 Ordinary shares were issued on 13th May 2003 and 30th June 2003 respectively, all at par value fully paid. The Redeemable Preference shares are redeemable at any time at the option of the company, subject to 5 days' previous notice in writing.

The Ordinary and Redeemable Preference Shares rank *pari passu* with respect to any income or capital distribution and voting rights.

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
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17. Other Reserves	2003		2002	
(non-distributable)	The Group £	The Company £	The Group £	The Company £
Profits capitalised for bonus issue by subsidiary	25,000	-	25,000	-
	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>

18. Commitments

Commitments for payments in respect of operating leases to be made in the next year are as follows:-

	Land & Buildings 2003 £	Land & Buildings 2002 £
Leases expiring within one year	-	-
Leases expiring between two and five years	-	-
Leases expiring in more than five years	965,428	965,428
	<u>965,428</u>	<u>965,428</u>

The Group has contracted capital commitments at 30th June 2003 of £nil (2002 - £nil).

**FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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19. Pension Obligations

As at the year ending 30th June 2003 the Company participated in two pension schemes providing benefits based on final pensionable salary. The assets of the schemes were held separately from those of the Company.

With effect from 1st August 2003, the Colonial UK Staff Pension Scheme and The Stewart Ivory Retirement Benefits Scheme were merged with the Commonwealth Bank of Australia (UK) Staff Benefits Scheme. Benefits currently continue to accrue to employee members in both schemes. In future years, pension expense calculations will be required in respect of the merged scheme as a whole.

a) SSAP 24 Disclosures

The total pension cost for the Company was £1,821,949 (2002 - £1,313,673). The pension cost is assessed in accordance with the advice of independent qualified actuaries using the attained age method.

i) Colonial UK Staff Pension Scheme

The latest actuarial valuation of the Colonial UK Staff Pension Scheme was at 5th April 2000. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 5.90% per annum, that salary increases would average 5.50% per annum and that present and future pensions would increase at the rate of 3.00% per annum. At the date of the latest actuarial valuation, the market value of the assets of the scheme was £111.6m (using the projected unit method of valuation) and the actuarial value of the assets was sufficient to cover 89% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

ii) Stewart Ivory Retirement Benefits Scheme

The latest actuarial valuation of the Stewart Ivory Retirement Benefits scheme was at 1st September 2001. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 7.25% per annum, that salary increases would average 4.00% per annum and that present and future pensions would increase at the rate of 3.00% per annum. At the date of the latest actuarial valuation, the market value of the assets of the scheme was £10.3m (using the projected unit method of valuation) and the actuarial value of the assets was sufficient to cover 79% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
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19. Pension Obligations Contd.

b) FRS 17 Disclosures

i) Colonial UK Staff Pension Scheme

The valuation used for FRS 17 disclosures has been based on the most recent interim actuarial valuation at 5th April 2002 rolled forward to 30th June 2003 and updated by Hymans Robertson to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30th June 2003. It was assumed that the investment return would be 6.3% (2002 5.9%) per annum, that salary increases would average 4.50% (2002 5.20%) per annum, inflation would be 2.50% (2002 3.00%) and that present and future pensions would increase at the rate of 3.00% (2002 3.0%) per annum. Scheme assets are stated at their market value at 30th June 2003. A discount rate of 5.20% (2002 5.70%) has been used. The current contribution funding rate is 16.5% of pensionable salary. Once the formal merger of the Colonial UK Staff Pension Scheme and the Stewart Ivory Retirement Benefits Scheme has been completed, a full assessment of combined future contribution funding rates can be undertaken. The assets in the Scheme and the projected rate of return were:

	Long-term rate of return expected at 30th June 2003	Asset Mix at 30th June 2003 £	Long-term rate of return expected at 30th June 2002	Asset Mix at 30th June 2002 £
Equities	7.50%	22%	8.00%	35%
Bonds	4.85%	55%	5.35%	44%
Property	7.50%	-	8.00%	-
Cash	3.50%	3%	4.00%	3%
Annuity	5.20%	20%	5.70%	18%
		2003		2002
		£000		£000
Total market value of assets		99,264		99,673
Present value of scheme liabilities		117,115		109,582
Deficit in the scheme		(17,851)		(9,909)

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19. Pension Obligations Contd.

b) FRS 17 Disclosures

i) Colonial UK Staff Pension Scheme

Analysis of amount charged to operating profit

	Year to 30th June 2003 £000	Year to 30th June 2002 £000
Current Service Cost	781	599
Past Service Cost	-	-
Curtailment and Settlements	-	-
Decrease in irrecoverable surplus	-	-
Total Operating Charge	<u>781</u>	<u>599</u>

**Analysis of amount which would be credited to Other
Finance Income**

	Year to 30th June 2003 £000	Year to 30th June 2002 £000
Expected return on pension scheme assets	6,041	6,661
Interest on pension liabilities	(6,124)	(6,375)
Net Return	<u>(83)</u>	<u>286</u>

**Analysis of amount which would be recognised in Statement of Total Recognised
Gains and Losses**

	Year to 30th June 2003 £000	Year to 30th June 2002 £000
Actual return less expected return on pension scheme assets	(2,496)	(4,724)
Experience losses arising on the scheme liabilities	(61)	(2,171)
Changes in assumptions underlying the present value of the scheme liabilities	(5,642)	(7,759)
Actuarial loss in pension plan	<u>(8,199)</u>	<u>(14,654)</u>
Increase/(decrease) in irrecoverable surplus from membership fall	-	-
Actuarial loss recognised in STRGL	<u>(8,199)</u>	<u>(14,654)</u>

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

19. Pension Obligations Contd.

b) FRS 17 Disclosures

i) Colonial UK Staff Pension Scheme

History of Experience Gains and Losses

	Year to 30th June 2003 £000/%	Year to 30th June 2002 £000/%
Difference between the expected and actual return on scheme assets	(2,496)	(4,724)
Value of plan assets	99,264	99,673
Percentage of scheme assets	-2.51%	-4.74%
Experience gains/(losses) on scheme liabilities	(61)	(2,171)
Present value of scheme liabilities	117,115	109,582
Percentage of the present value of scheme liabilities	-0.05%	-1.98%
Actuarial gains/losses recognised in STRGL	(8,199)	(14,654)
Present value of scheme liabilities	117,115	109,582
Percentage of the present value of scheme liabilities	-7.00%	-13.37%

Movement in Deficit during the year

	Year to 30th June 2003 £000	Year to 30th June 2002 £000
(Deficit)/Surplus in scheme at beginning of year	(9,909)	3,081
Current Service Cost	(781)	(599)
Employer Contributions	1,121	1,999
Other income plus any risk benefit premiums paid direct to insurer	-	188
Other outgo (eg expenses etc)	-	(210)
Past Service Costs	-	-
Impact of settlements and curtailments	-	-
Net return	(83)	286
Actuarial gains/(losses)	(8,199)	(14,654)
Deficit in scheme at end of year	<u>(17,851)</u>	<u>(9,909)</u>

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

19. Pension Obligations Contd.

b) FRS 17 Disclosures

ii) Stewart Ivory Retirement Benefits Scheme

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1st September 2001 and undertaken by Buck Consultants to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30th June 2003. Scheme assets are stated at their market value at 30th June 2003. It was assumed that the weighted-average investment return would be 6.35% (2002 7.25%) per annum, that salary increases would average 4.50% (2002 5.20%) per annum, inflation would be 2.50% (2002 3.00%) and that present and future pensions would increase at the rate of 3.00% (2002 3.00%) per annum. A discount rate of 5.20% (2002 5.75%) has been used. The current contribution funding rate is 20.0% of pensionable salary. Once the formal merger of the Colonial UK Staff Pension Scheme and the Stewart Ivory Retirement Benefits Scheme has been completed, a full assessment of combined future contribution funding rates can be undertaken.

The Scheme is now closed to new members. Under the projected unit method, the current service cost will increase in respect of each continuing member of the scheme as they approach retirement. The assets in the Scheme and the projected rate of return were:

	Long-term rate of return expected at 30th June 2003	Asset Mix at 30th June 2003	Long-term rate of return expected at 30th June 2002	Asset Mix at 30th June 2002
Equities	7.50%	64%	7.50%	78%
Bonds	5.00%	20%	5.50%	19%
Property	6.00%	-	6.00%	-
Cash	3.50%	16%	4.50%	3%
		2003		2002
		£000		£000
Total market value of assets		9,103		9,810
Present value of scheme liabilities		18,240		16,650
Deficit in the scheme		<u>(9,137)</u>		<u>(6,840)</u>

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

19. Pension Obligations Contd.

b) FRS 17 Disclosures

ii) Stewart Ivory Retirement Benefits Scheme

Analysis of amount charged to operating profit

	Year to 30th June 2003 £000	Year to 30th June 2002 £000
Current Service Cost	918	882
Past Service Cost	-	466
Curtailment and Settlements	-	-
Decrease in irrecoverable surplus	-	-
Total Operating Charge	<u>918</u>	<u>1,348</u>

Analysis of amount which would be credited to Other Finance Income

	Year to 30th June 2003 £000	Year to 30th June 2002 £000
Expected return on pension scheme assets	659	799
Interest on pension liabilities	(991)	(886)
Net Return	<u>(332)</u>	<u>(87)</u>

**Analysis of amount which would be recognised in Statement of total Recognised
Gains and losses**

	Year to 30th June 2003 £000	Year to 30th June 2002 £000
Actual return less expected return on pension scheme assets	(1,369)	(2,057)
Experience gains/(losses) arising on the scheme liabilities	1,691	(149)
Changes in assumptions underlying the present value of the scheme liabilities	(1,962)	(1,598)
Actuarial loss in pension plan	<u>(1,640)</u>	<u>(3,804)</u>
Increase/(decrease) in irrecoverable surplus from membership fall	-	-
Actuarial loss recognised in STRGL	<u>(1,640)</u>	<u>(3,804)</u>

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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19. Pension Obligations Contd.

b) FRS 17 Disclosures

ii) Stewart Ivory Retirement Benefits Scheme

History of Experience Gains and Losses

	Year to 30th June 2003 £000/%	Year to 30th June 2002 £000/%
Difference between the expected and actual return on scheme assets	(1,369)	(2,057)
Value of plan assets	9,103	9,810
Percentage of scheme assets	-15.04%	-20.97%
Experience gains/(losses) on scheme liabilities	1,691	(149)
Present Value of scheme liabilities	18,240	16,650
Percentage of the present value of scheme liabilities	9.27%	-0.89%
Actuarial gains/losses recognised in STRGL	(1,640)	(3,804)
Present value of scheme liabilities	18,240	16,650
Percentage of the present value of scheme liabilities	-9.00%	-22.84%

Movement in Deficit during the year

	Year to 30th June 2003 £000	Year to 30th June 2002 £000
Deficit in scheme at beginning of year	(6,839)	(2,255)
Current Service Cost	(918)	(882)
Employer Contributions	592	653
Other income plus any risk benefit premiums paid direct to insurer	-	-
Other outgo (eg expenses etc)	-	-
Past Service Costs	-	(466)
Impact of settlements and curtailments	-	-
Net return	(332)	(86)
Actuarial gains/(losses)	(1,640)	(3,803)
Deficit in scheme at end of year	(9,137)	(6,839)

Retained losses would be increased by £18,891,808 (2002 - £11,723,792) if the net deficit of both schemes were recognised net of deferred tax.

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NOTES TO THE FINANCIAL STATEMENTS
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20. Profit and Loss Account	The Group 2003 £	The Company 2003 £	The Group 2002 £	The Company 2002 £
At start of period	(32,852,455)	(3,970,050)	(19,349,783)	(3,721,388)
Retained loss for the period	(22,213,136)	(38,991,778)	(13,502,672)	(248,662)
At end of period	<u>(55,065,591)</u>	<u>(42,961,828)</u>	<u>(32,852,455)</u>	<u>(3,970,050)</u>

21. Reconciliation of movements in shareholders' funds

	The Group 2003 £	The Company 2003 £	The Group 2002 £	The Company 2002 £
Total recognised losses	(22,213,136)	(38,991,778)	(13,502,672)	(248,662)
New share capital issued	4,200,000	4,200,000	37,159,171	37,159,171
Net movement in shareholders' funds	(18,013,136)	(34,791,778)	23,656,499	36,910,509
Opening shareholders' funds	64,098,633	92,956,038	40,442,134	56,045,529
Closing shareholders' funds	<u>46,085,497</u>	<u>58,164,260</u>	<u>64,098,633</u>	<u>92,956,038</u>

22. Related party disclosures

The Group's income is solely derived from its activities as a manager and an administrator of investment portfolios for its clients under the terms of investment management contracts and may on a strict interpretation be deemed to be a "related party" to its clients within the definition of Financial Reporting Standard 8 - Related Party Disclosures.

23. Ultimate Parent Company

Commonwealth Bank of Australia, incorporated in Australia and listed on the Australian Stock Exchange, is regarded by the Directors of the company as the Company's ultimate parent company.

The largest group in which the results of the Company will be consolidated is that of which Commonwealth Bank of Australia is the parent company. The consolidated accounts of Commonwealth Bank of Australia may be obtained from: Level 1, 48 Martin Place, Sydney, New South Wales 1155 or downloaded from www.commbank.com.au.