

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2006**

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Registered No 03904310

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2006**

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**FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 2006**

Directors G R Cooper
 C Crawford (appointed 28 08 06 and resigned 10 11 06)
 W M Negus (appointed 28 08 06)
 S W Paul
 T D T Waring (resigned 28 08 06)

Secretary A C N Smith
 G V Davies

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 2006

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, Risks and Uncertainties

First State Investments (UK Holdings) Limited is part of the international operation of Colonial First State Global Asset Management. Colonial First State Global Asset Management, Australia's largest fund manager with approximately £50 billion in assets under management as at 30th June 2006, is owned by the Commonwealth Bank of Australia, one of Australia's largest financial services organisations. Colonial First State Global Asset Management operates in the United Kingdom as First State Investments.

Colonial First State Global Asset Management is managed by CBA's Wealth Management division. Within CBA, Wealth Management is responsible for the manufacture and administration of non-banking services, including business units such as Colonial First State in Australia and First State Investments in the UK and Asia. Wealth Management also provides strategic and operational support for the investment and insurance products of group companies.

First State Investments provide a range of specialist investment management services. Our core areas of focus include global equities, Asia Pacific and global emerging markets equities, global fixed interest and smaller companies equities. We manage investments through pooled vehicles and segregated mandates on behalf of retail, wholesale and institutional investors in the UK, Europe, US and Asia.

Our primary goals are

- 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

**FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 2006**

Review of Business, Risks and Uncertainties (continued)

We strive to be at the forefront of specialist investing in both developed and emerging markets, and in December 2005 added the Asia Pacific Sustainability Fund to our product set, further extending our capabilities. Over the past 12 months we have continued to attract strong asset flows into Asia Pacific ex-Japan and global emerging markets equities, and Global Resources equities products in particular, and most of our core markets and products generated strong positive returns for investors.

The principal risk to the level of profitability of the Company and the group is that of market correction following the strong run over the past 18 months. The particular long-term investment style of the Company should protect its revenue and its customers investments more than many competitors should any correction materialise. The business is also exposed to key man risk associated with the Asia Pacific/GEM team. The Directors are of the opinion that this risk has been managed via the introduction of the Long term incentive scheme.

Results and dividends

The profit for the year, after taxation was £16,631,788 (2005 £4,149,750)

The Directors do not recommend the payment of a final dividend. The balance of losses retained on the Profit and Loss account was thus £43,352,544 (2005 £59,984,332) for the Group and £18,746,986 (2005 £19,161,339) for the Company.

Directors and their interests

The Directors of the Company during the year were those listed above. There are no Directors' share interests requiring disclosure under the Companies Act 1985.

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.

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.

**FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 2006**

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



A C N Smith
Secretary
Edinburgh

19th January 2007

INDEPENDENT AUDITORS' REPORT
to the members of First State Investments (UK Holdings) Limited

We have audited the group and the company's financial statements for the year ended 30 June 2006 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet and Company Balance Sheet, and the related notes 1 to 22. These financial statements have been prepared under 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, 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 other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and the company's affairs as at 30 June 2006 and of its profits for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Edinburgh
19th January 2007

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2006

	Notes	Year ended 30th June 2006 £	Year ended 30th June 2005 £
Turnover	2	53,566,091	36,742,423
Administrative expenses		<u>(36,984,496)</u>	<u>(33,512,515)</u>
Operating profit	3	16,581,595	3,229,908
Other income	6	11,971	46,638
Interest receivable		1,542,636	1,278,747
Interest payable	7	<u>(99,053)</u>	<u>(358,492)</u>
Profit on ordinary activities before tax		18,037,149	4,196,801
Tax on profit on ordinary activities	8	<u>(1,405,361)</u>	<u>(47,051)</u>
Profit on ordinary activities after tax	19	<u>16,631,788</u>	<u>4,149,750</u>

There were no material acquisitions or discontinued operations during the year

There is no difference between the profit on ordinary activities before taxation and the retained profit 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 2006

		2006		2005	
	Notes	£	£	£	£
Fixed assets					
Intangible investment	11b	863,742		2,401,476	
Goodwill	9	17,751,508		19,042,292	
Tangible assets	10	<u>783,792</u>		<u>1,000,574</u>	
			19,399,042		22,444,342
Investments					
Investments in joint ventures					
Share of gross assets	11c	-		7,821	
Share of gross liabilities	11c	-		(7,821)	
Other investments	11d	<u>3,080,634</u>		<u>12,500</u>	
			3,080,634		12,500
			<u>22,479,676</u>		<u>22,456,842</u>
Current assets					
Investments		422,699		255,512	
Debtors	12	37,613,707		22,056,083	
Deferred tax asset	13	3,004,577		1,225,486	
Cash at bank		<u>47,575,529</u>		<u>28,939,674</u>	
		88,616,512		52,476,755	
Creditors					
Amounts falling due within one year	14	<u>(39,454,764)</u>		<u>(23,598,809)</u>	
Net current assets			49,161,748		28,877,946
			<u>71,641,424</u>		<u>51,334,788</u>
Creditors					
Amounts falling due after one year	15		<u>(4,767,880)</u>		<u>(1,093,032)</u>
Net assets			<u>66,873,544</u>		<u>50,241,756</u>
Capital and reserves					
Share capital	16		110,226,088		110,226,088
Profit and loss account	19		<u>(43,352,544)</u>		<u>(59,984,332)</u>
	20		<u>66,873,544</u>		<u>50,241,756</u>
Analysis of shareholders' funds					
Equity			22,406,627		5,774,839
Non-equity	16		<u>44,466,917</u>		<u>44,466,917</u>
			<u>66,873,544</u>		<u>50,241,756</u>

The financial statements on pages 5 to 21 were approved by the Board of Directors on 19th January 2007 and were signed on its behalf by



G R Cooper
Director

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
BALANCE SHEET
AS AT 30TH JUNE 2006

	Notes	2006 £	2005 £
Fixed assets			
Investments			
Shares in group undertakings	11	84,109,521	84,109,521
Current assets			
Debtors	12	8,938,306	9,445,251
Deferred tax asset	13	23,551	-
Cash at bank		172,271	261,506
		<u>9,134,128</u>	<u>9,706,757</u>
Creditors			
Amounts falling due within one year	14	<u>(1,764,547)</u>	<u>(2,751,529)</u>
Net current assets		<u>7,369,581</u>	<u>6,955,228</u>
Net assets		<u>91,479,102</u>	<u>91,064,749</u>
Capital and reserves			
Share capital	16	110,226,088	110,226,088
Profit and loss account	19	<u>(18,746,986)</u>	<u>(19,161,339)</u>
	20	<u>91,479,102</u>	<u>91,064,749</u>
Analysis of shareholders' funds			
Equity		47,012,185	46,597,832
Non-equity	16	<u>44,466,917</u>	<u>44,466,917</u>
		<u>91,479,102</u>	<u>91,064,749</u>

The financial statements on pages 5 to 21 were approved by the Board of Directors on 19th January 2007 and were signed on its behalf by



G R Cooper
Director

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2006

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the accounting policies, which have been consistently applied, 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 2006

(c) Leases

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

(d) Pension scheme arrangements

The Company is one of the principal employers contributing to the Commonwealth Bank of Australia (UK) Staff Benefits-Scheme—the defined benefit sections of which are now closed to new members. The pension scheme is valued every three years by professionally qualified independent actuaries, who determine the rate of contribution payable on the defined benefit sections. In the intervening years the actuaries review the continuing appropriateness of the rates.

The Company has been advised that the underlying assets and liabilities of the defined benefit schemes cannot be separated by legal entity on a consistent and reasonable basis. The Company has therefore followed the multi-employer scheme provisions within FRS17 and accounts for the costs of the defined benefit schemes in the same manner as the defined contribution scheme that is available to new employees.

The Company 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 18 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 30th June 2006.

(e) Depreciation and fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life as follows:

Leasehold improvements	-	Over the remaining term of the lease
Office equipment	-	10% - 33%
Office furniture	-	10% - 33%

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2006

(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 Investments ICVC for 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. Goodwill has arisen on the acquisition of the Stewart Ivory (Holdings) group. The carrying value of such goodwill is assessed annually. Goodwill is amortised over a 20 year period.

The intangible investment in the Babson Stewart Ivory International 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 22. 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 2006

2. Turnover

Turnover comprises the total of investment management and administration fees, which is shown net of VAT and discounts

	2006	2005
	£	£
Attributable to origin of funds under management		
UK	28,857,452	19,878,894
Overseas	24,708,639	16,863,529
	<u>53,566,091</u>	<u>36,742,423</u>

3 Operating profit

	2006	2005
	£	£
Operating profit is stated after charging		
Employment costs (note 4)	17,804,335	20,424,029
Amortisation of goodwill (note 9)	1,290,784	1,290,783
Amortisation of intangible investment (note 11)	1,442,049	1,054,324
Depreciation of owned fixed assets	387,125	466,636
Provision of non-audit services by auditor		
Group	20,300	18,550
Company	5,100	4,500
Foreign exchange differences	139,703	65,405
Operating lease payments	912,655	893,030

The remuneration of the Company's auditors for the provision of audit services for the Group £91,800 (2005 - £99,850), the Company £18,500 (2005 £16,500) This remuneration is being settled by a Group parent company

4. Employment costs

	2006	2005
	£	£
Salaries	14,838,409	16,561,303
Social security costs	1,266,663	1,383,287
Pension costs	542,451	1,807,472
Other employment costs	1,156,812	671,967
	<u>17,804,335</u>	<u>20,424,029</u>

The average number of staff employed during the year was 159 (2005 - 165) This comprised 56 (2005 - 58) fund management staff and 103 administration staff (2005 - 107)

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2006

5. Directors' emoluments	2006	2005
	£	£
Directors' emoluments, excluding pension contributions	<u>1,071,334</u>	<u>1,233,580</u>
Aggregate pension contributions of all Directors	<u>119,826</u>	<u>102,401</u>
The emoluments, excluding pension contributions, of the highest paid director	<u>560,981</u>	<u>716,611</u>
Pension contributions of the highest paid director	<u>36,585</u>	<u>57,450</u>

Pension benefits are accruing to three (2005 – three) Directors under pension schemes operated by the Company. The accrued retirement benefit of the highest paid Director was £78,592 (2005 – £81,938)

6. Other income	2006	2005
	£	£
Gain on sale of investments	9,396	42,616
Gain on sale of fixed assets	-	3,500
Other income	<u>2,575</u>	<u>522</u>
	<u>11,971</u>	<u>46,638</u>

7. Interest payable	2006	2005
	£	£
Bank interest payable	11,899	20,482
Interest payable on Loan notes	87,154	117,394
Finance charge on calculating present value of deferred consideration	-	220,616
	<u>99,053</u>	<u>358,492</u>

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2006

8. Tax on profit on ordinary activities

	2006	2005
	£	£
Corporation tax (see reconciliation below)	(3,073,846)	(967,838)
Group Relief over provided in prior year	(109,001)	(298,257)
Overseas tax	(1,605)	(6,442)
Deferred taxation	1,779,091	1,225,486
	<u>(1,405,361)</u>	<u>(47,051)</u>

Factors affecting tax charge for the period

The tax assessed on the profit on ordinary activities for the period differs from that calculated at the standard rate of corporation tax in the UK of 30% (2005 30%)

	2006	2005
	£	£
Profit on ordinary activities before tax	18,037,149	4,196,801
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	5,411,145	1,259,040
Long term incentive plan (LTIP) and related national insurance disallowance	1,103,327	327,910
Goodwill amortisation	387,235	387,235
Utilisation of brought forward losses	(4,071,462)	(1,241,630)
Disallowed expenses	134,474	5,161
SSAP 24 disallowance	(229,956)	(73,500)
Adjustment to US investment value	127,244	-
Disallowance for finance charge	-	(12,675)
Capital allowances	(93,532)	-
Disallowance for US investment amortisation	305,371	316,297
Current corporation tax/group relief for the period	<u>3,073,846</u>	<u>967,838</u>

The Group has tax losses arising from prior years in the UK which amount to £5,204,057 (2005 - £18,773,897) that are available indefinitely for offset against future taxable profits. A deferred tax asset of £1,561,217 (2005 £1,225,486) has been recognised in respect of the losses which are deemed to be prudently available against future short-term profits. An additional £1,431,237 (2005 - £nil) of deferred tax asset has been recognised in respect of future deductibility of the LTIP cost once it vests on the employee beneficiaries. The Group also has an unrecognised deferred tax asset of £444,000 (2005 £1,212,000) relating to accelerated capital allowances and other timing differences. This has not been recognised as there is insufficient evidence as to its recoverability in the foreseeable future.

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2006

9 Goodwill

	£
<u>Cost</u>	
At 30th June 2005	25,815,665
Additions	-
Write-off	-
At 30th June 2006	<u>25,815,665</u>
<u>Amortisation</u>	
At 30th June 2005	6,773,373
Charge for the year	1,290,784
Disposals	-
At 30th June 2006	<u>8,064,157</u>
 Net book value	
At 30th June 2006	<u>17,751,508</u>
At 30th June 2005	<u>19,042,292</u>

The goodwill relates to the acquisition, on 20th March 2000, of the Stewart Ivory (Holdings) Limited group, which is being amortised on a straight-line basis over a 20-year period

The Directors have reviewed the carrying value of the investment and do not consider there is a permanent diminution in the value of the investment

10. Tangible Fixed Assets

	Leasehold Improvements £	Office Furniture And Equipment £	Total £
<u>Cost</u>			
At 30th June 2005	497,568	2,485,515	2,983,083
Additions	-	179,065	179,065
Disposals	-	(581,794)	(581,794)
At 30th June 2006	<u>497,568</u>	<u>2,082,786</u>	<u>2,580,354</u>
<u>Depreciation</u>			
At 30th June 2005	221,952	1,760,557	1,982,509
Charge for the year	74,671	312,454	387,125
Disposals	-	(573,072)	(573,072)
At 30th June 2006	<u>296,623</u>	<u>1,499,939</u>	<u>1,796,562</u>
 Net Book Value			
At 30th June 2006	<u>200,945</u>	<u>582,847</u>	<u>783,792</u>
At 30th June 2005	<u>275,616</u>	<u>724,958</u>	<u>1,000,574</u>

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2006

11. Investments

(a) Group undertakings

The Company has the following subsidiary undertakings -

Name of company	Nature of Business	Description of shares held	% held	2006	2005
				£	£
Colonial First State Investment Managers (UK) Limited	Fund Manager	Ordinary £1	100	2,150,000	2,150,000
Colonial First State Investment Managers (UK) Limited	Fund Manager	Redeemable £1	100	3,500,000	3,500,000
First State Investment Services (UK) Limited	Service Company	Ordinary £1	100	3,000,000	3,000,000
SI Holdings Limited	Holding Company	Ordinary £1	100	75,384,521	75,384,521
SI Holdings Limited	Holding Company	'C' Ordinary £1	100	75,000	75,000
- The Scottish Global Emerging Markets Investment Trust PLC	Non Trading Company	Ordinary £1	50	0	0
				84,109,521	84,109,521

The following group companies are held by subsidiaries of First State Investments (UK Holdings) Ltd

Name of company	Nature of Business	Description of shares held	% held
Colonial First State Limited (in liquidation)	Fund Manager	Ordinary £1	100
Colonial First State International Assets (in liquidation)	Fund Manager	Ordinary £1	100
Colonial UK Staff Pension Trustees Limited	Corporate Trustee	Ordinary £1	100
First State Investments (UK) Limited	Fund Manager	Ordinary £1	100
First State Investment Management (UK) Limited	Fund Manager	'A' Ord £1 & 'B' Ord £1	100
First State Investments International Limited	Fund Manager	Ordinary £1	100
First State Investments International Inc	Marketing to US clients	Ordinary \$0.01	100
Roodhill Nominees Limited	Nominee	Ordinary £1	100
SI Group ESOP Trustee Limited (in liquidation)	Corporate Trustee	Ordinary £1	100

In the opinion of the Directors the aggregate value of the Company's investments in its subsidiaries is not less than the aggregate of the amount at which the investment is stated in the Balance Sheet

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2006

11. Investments continued

(b) Intangible investments

	£
<u>Cost</u>	
At 30th June 2005	4,955,581
Change in carrying value	(424,145)
Change in estimated deferred consideration	(95,685)
At 30th June 2006	<u>4,435,751</u>
<u>Amortisation</u>	
At 30th June 2005	2,554,105
Charge for the year	1,017,904
At 30th June 2006	<u>3,572,009</u>
<u>Net book value</u>	
At 30th June 2006	<u>863,742</u>
At 30th June 2005	<u>2,401,476</u>

On 20 September 2002 First State Investments International Limited paid US\$2.75 million (£1,776,715) for the goodwill attaching to the clients of the Babson Stewart Ivory International partnership joint venture and the right to receive 100% of income from all partnership clients from 31 August 2005, subject to those clients transferring their investment mandates from the partnership to the First State Investments International Limited. The present value of the deferred consideration for those clients that had transferred was fully settled at 30th June 2006 (30th June 2005 £1,297,861 outstanding). The total amount of the deferred consideration was added to the carrying value of the intangible investment.

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2006

11. Investments continued

(c) Joint ventures

As at 30th June 2006 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 20th September 2002, First State Investments International Limited 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.

As all clients of the partnership have now either, transferred over to the First State Investments International Limited, or have terminated their relationship, proceedings commenced on 30th June 2004 to wind up the partnership and it was finally dissolved on 20th December 2005.

- (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. The £1,000 invested in the joint venture was accounted for as part of the acquisition cost of The Stewart Ivory (Holdings) Limited group on 20 March 2000. The joint venture is in the process of being wound up.

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.

	2006		2005	
	The Group £	The Company £	The Group £	The Company £
BSII –Share of gross assets	-	-	7,821	-
CSI –Share of gross assets	-	-	-	-
	-	-	7,821	-
BSII–Share of gross liabilities	-	-	(7,821)	-
CSI–Share of gross liabilities	-	-	-	-
	-	-	(7,821)	-

Both joint venture arrangements were engaged in investment management. The Directors are of the opinion that they did not exercise ultimate control over the entities although both interests represented 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 joint ventures which amounted to £nil for the year ended 30th June 2006 (2005- £nil) and £nil (2005 - £8,608) respectively.

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11. Investments continued

(d) Other Investments	2006	2005
	£	£
First State Investments AIM VCT plc	-	12,500
First State Investments ICVC and VCC	3,075,000	-
First State Investments Delaware Statutory Trust	5,634	-
	<u>3,080,634</u>	<u>12,500</u>

For certain directors and employees of the First State group of companies there is in place a long term incentive plan (LTIP) to motivate, incentivise and retain their services within the group. The cash payout to the beneficiaries of the LTIP is dependent on the investment performance of a basket of funds managed by the Group. To hedge the potential increase in this liability over the three year vesting period, the Company has purchased the equivalent value of shares for the 30th June 2005 LTIP pool.

The other investments represent initial seeding monies in new products.

12 Debtors

Amounts falling due within one year

	2006		2005
	The Group	The Company	The Group
	£	£	£
Trade debtors	27,332,652	-	14,119,519
Amounts owed by group undertakings	1,279,685	1,838,306	1,310,460
Group relief	7,734	-	301,663
Other debtors	432,981	-	231,283
Other taxation and social security costs	-	-	66,131
Other tax recoverable	178	-	14,658
Sub-ordinated loan to First State Investment Management (UK) Limited	-	7,100,000	-
Prepayments and accrued income	8,560,477	-	6,012,369
	<u>37,613,707</u>	<u>8,938,306</u>	<u>22,056,083</u>
			<u>9,445,251</u>

Two loans were made on 1st April 2004 to First State Investment Management (UK) Limited in the amounts of £3,500,000 and £3,600,000. Both are repayable after receiving one month's written notice but only once a two year term has expired. Interest is receivable on each loan on 31st March each year at a rate of 1.5% above LIBOR. The loan for £3,600,000 was repaid on 30th September 2006.

13 Deferred tax asset

	2006		2005
	The Group	The Company	The Group
	£	£	£
Provision at start of period	1,225,486	-	-
Deferred tax credit in profit and loss	1,779,091	23,551	1,225,486
Provision at end of period	<u>3,004,577</u>	<u>23,551</u>	<u>1,225,486</u>
Deferred tax is provided at 30% (2005 30%) as follows			
Tax losses carried forward	1,561,217	23,551	1,225,486
LTIP provision not yet available for tax relief	1,431,237	-	-
Accelerated capital allowances	12,123	-	-
	<u>3,004,577</u>	<u>23,551</u>	<u>1,225,486</u>

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

	2006		2005	
	The Group	The Company	The Group	The Company
	£	£	£	£
Trade creditors	26,141,063	-	10,323,514	-
Amounts owed to group undertakings	-	-	629,000	248,907
Other taxation and social security costs	203,001	-	400,003	-
Accruals and deferred income	7,162,968	4,600	7,262,525	59,694
Loan notes	1,751,915	1,751,915	2,442,928	2,442,928
Other creditors	34,851	-	275,141	-
Deferred consideration payable	-	-	1,297,861	-
Group relief/Corporation tax payable	4,160,966	8,032	967,837	-
	<u>39,454,764</u>	<u>1,764,547</u>	<u>23,598,809</u>	<u>2,751,529</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 2004 until 30th June 2007. Payments of principal and interest are guaranteed by Colonial Holding Company Pty Limited.

15. Creditors' amounts falling due after one year

	The Group	The Group
	2006	2005
	£	£
Amounts due under LTIP scheme		
Provision at start of the period	1,093,032	-
Charge to profit and loss during period	<u>3,674,848</u>	<u>1,093,032</u>
Provision at end of period	<u>4,767,880</u>	<u>1,093,032</u>

The liabilities arising under the long term incentive plan are accounted for in line with the service rendered by directors and staff who are entitled to benefit from the plan.

16. Share capital

	The Group	The Group
	and Company	and Company
	2006	2005
	£	£
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	65,759,171	65,759,171
Redeemable preference shares of £1	<u>44,466,917</u>	<u>44,466,917</u>
	<u>110,226,088</u>	<u>110,226,088</u>

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.

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17. Commitments

Commitments for payments in respect of operating leases to be made in the year to 30 June 2006 are as follows -

	Land & Buildings 2006 £	Land & Buildings 2005 £
Leases expiring within one year	-	-
Leases expiring between two and five years	495,428	495,428
Leases expiring in more than five years	470,000	470,000
	<u>965,428</u>	<u>965,428</u>

18. Pension obligations

The First State Investments (UK Holdings) Limited group participates in the Commonwealth Bank of Australia (UK) Staff Benefits Scheme. The defined benefit sections of the Scheme are now closed to new members. The defined contribution section is available to all new staff. All sections of the Scheme are funded by the payment of contributions to separately administered sections of the Scheme.

The defined contribution scheme costs for the year were £230,967 (2005 £158,526) and there were no outstanding or prepaid contributions at 30th June 2005 or 2006.

Previously the Company participated in two pension schemes, the Colonial UK Staff Pension Scheme and The Stewart Ivory Retirement Benefits Scheme, however on 1st August 2003 the schemes were merged into the Commonwealth Bank of Australia (UK) Staff Benefits Scheme. Members of both legacy schemes retain their on-going benefits for previous and future employment periods.

As the First State Investments UK group of companies is unable to identify the share of its underlying assets in the Commonwealth Bank of Australia (UK) Staff Benefits Scheme on a consistent and reasonable basis, the contributions made to the defined benefit sections of the scheme are accounted for as if they are a defined contribution scheme. The total pension contributions made for the year were £1,063,952 (2005 £1,197,935) and there were no outstanding or prepaid contributions as at 30th June 2005 or 2006. As the effect of the CBA group scheme deficit cannot be determined, the Company has followed the multi-employer scheme provisions within FRS17 and on this basis certain disclosures otherwise required by FRS17 are not given.

The FRS17 disclosures that are given are thus those for the scheme as a whole. The comparative SSAP24 disclosures were given last year and are based on the actuarial valuations of the Colonial and Stewart Ivory schemes at the time of the merger.

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
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18. Pension obligations continued

b) FRS 17 disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1st July 2005 and updated by the Scheme administrator, Jardine Lloyd Thompson, to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30th June 2006

The current contribution funding rate is 26.7% of pensionable salary for The Colonial UK Staff Pension Scheme and for The Stewart Ivory Retirement Benefits Scheme legacy liabilities. A further 4.5% of pensionable salaries is paid to cover expenses of the scheme and death in service premiums. In addition, it has been agreed that further annual contributions totalling £3.24m per annum will be paid by the Commonwealth Bank of Australia Group to help reduce the past service deficit.

The assets and liabilities in the scheme in total were as follows

	2006	2005
	£'m	£'m
Total market value of assets	153.3	131.2
Present value of scheme liabilities	172.2	162.0
Deficit in the scheme	18.9	30.8

a) SSAP 24 disclosures

The total pension cost for the defined benefit section of the pension scheme was £1,925,000 for the year to 30th June 2005. A provision as at 30th June 2005 amounting to £1,517,000 representing the difference between the amount recognised as cost and the amount funded to the scheme has been included in accruals and deferred income in Note 10. The pension cost is assessed in accordance with the advice of independent qualified actuaries.

The latest actuarial valuation was at 1st August 2003.

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.

Assumptions used to assess the regular cost and scheme surplus

Pre retirement rate of interest 6.5%

Post retirement rate of interest 4.7%

Rate of salary increases 4.2%

Rate of Pensions increases 2.7%

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19. Profit and loss account	The Group	The Company	The Group	The Company
	2006	2006	2005	2005
	£	£	£	£
At start of period	(59,984,332)	(19,161,339)	(64,134,082)	(19,512,958)
Retained profit for period	16,631,788	414,353	4,149,750	351,619
At end of period	<u>(43,352,544)</u>	<u>(18,746,986)</u>	<u>(59,984,332)</u>	<u>(19,161,339)</u>

20. Reconciliation of movements in shareholder's funds

	The Group	The Company	The Group	The Company
	2006	2006	2005	2005
	£	£	£	£
Total recognised profits	16,631,788	414,353	4,149,750	351,619
Opening shareholder's funds	<u>50,241,756</u>	<u>91,064,749</u>	<u>46,092,006</u>	<u>90,713,130</u>
Closing shareholder's funds	<u>66,873,544</u>	<u>91,479,102</u>	<u>50,241,756</u>	<u>91,064,749</u>

21 Related party disclosures

Under Financial Reporting Standard 8 - Related Party Disclosures, the Group and the Company are exempt from the requirement to disclose transactions with any other company in the Commonwealth Bank of Australia group

22 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, Australia or downloaded from www.commbank.com.au