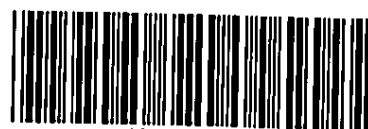


FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2007**

Registered No 03904310

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FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2007**

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**FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 2007**

Directors	G R Cooper C Crawford (resigned 10 11 06) J K Evans (appointed 20 02 07) P G Gately (appointed 20 02 07) C M Metcalfe (appointed 20 02 07) W M Negus (appointed 28 08 06) S W Paul T D T Waring (resigned 28 08 06)
Secretary	A C N Smith (resigned 28 02 07, reappointed 04 09 07) 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 2007

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 £57 billion in assets under management as at 30th June 2007, is owned by the Commonwealth Bank of Australia ("CBA"), 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 provides a range of specialist investment management services. Our core areas of focus include global equities, Asia Pacific and global emerging markets equities, property securities and global resources investment. We manage various types of investments and clients including pooled vehicles, segregated mandates, pension funds, commingled funds, institutional and retail investors.

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, and
- to respect the relationship between investors and their advisors

We strive to be at the forefront of specialist investing in both developed and emerging markets. 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.

**FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 2007**

Review of Business, Risks and Uncertainties (continued)

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 2 years. 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 £13,864,653 (2006 £17,075,788 restated)

The Directors do not recommend the payment of a final dividend. The balance of losses retained on the Profit and Loss account was thus £29,043,891 (2006 £42,908,544 restated) for the Group and £17,933,970 (2006 £18,746,986) for the Company.

The Group has recognised a deferred tax asset in respect of decelerated capital allowances. As a result, the prior year Profit and Loss Account and Balance Sheet have been restated to show the prior year deferred tax asset from decelerated capital allowances amounting to £444,000.

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 affected 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

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the Company and of the profit or loss of the group 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the 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 that disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 2007**

Statement of directors' responsibilities in respect of the accounts (continued)

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

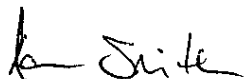
Auditors and general meetings

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

The Board of CBA has resolved to recommend the appointment of PricewaterhouseCoopers ("PwC") as the auditors of CBA. The appointment is subject to shareholders' approval at CBA's AGM on 7th November 2007. Accordingly, the Directors have written to Ernst and Young LLP to ask for their resignation as auditors. The appointment of PwC is proposed to take effect on 31st October 2007 or, if later, the date of resignation of Ernst and Young LLP.

By Order of the Board



A C N Smith
Secretary
Edinburgh

30 October 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED

We have audited the group and parent Company financial statements (the "financial statements") of First State Investments (UK Holdings) Limited for the year ended 30th June 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets and the related notes 1 to 23. 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we 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.

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 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 group's and 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.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE MEMBERS OF FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED

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's and the parent Company's affairs as at 30th June 2007 and of the group's profit 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
30 October 2007

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2007

	Notes	2007 £	2006 Restated £
Turnover	2	65,724,128	53,566,091
Administrative expenses		(47,865,833)	(36,984,496)
Operating profit	3	17,858,295	16,581,595
Other income	6	192,107	11,971
Interest receivable		2,558,825	1,542,636
Interest payable	7	(215,091)	(99,053)
Profit on ordinary activities before tax		20,394,136	18,037,149
Tax on profit on ordinary activities	8	(6,529,483)	(961,361)
Profit on ordinary activities after tax	19	13,864,653	17,075,788

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

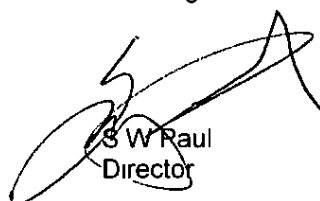
There were no recognised gains or losses in either period other than those shown above

The notes on pages 9 to 20 form part of these financial statements

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2007

		2007		2006 Restated	
	Notes	£	£	£	£
Fixed assets					
Intangible investment	11b	159,694		863,742	
Goodwill	9	16,460,725		17,751,508	
Tangible assets	10	586,672		783,792	
Investments	11c	<u>5,556,090</u>		<u>3,080,634</u>	
			22,763,181		22,479,676
Current assets					
Investments	11d	634,712		422,699	
Debtors	12	54,013,340		37,613,707	
Deferred tax asset	13	3,726,684		3,448,577	
Cash at bank		<u>60,602,856</u>		<u>47,575,529</u>	
		118,977,592		89,060,512	
Creditors					
Amounts falling due within one year	14	<u>(54,027,911)</u>		<u>(39,454,764)</u>	
Net current assets			64,949,681		49,605,748
			<u>87,712,862</u>		<u>72,085,424</u>
Creditors					
Amounts falling due after one year	15		<u>(6,530,665)</u>		<u>(4,767,880)</u>
Net assets			<u>81,182,197</u>		<u>67,317,544</u>
Capital and reserves					
Share capital	16		110,226,088		110,226,088
Profit and loss account	19		<u>(29,043,891)</u>		<u>(42,908,544)</u>
	20		<u>81,182,197</u>		<u>67,317,544</u>
Analysis of shareholders' funds					
Equity			36,715,280		22,850,627
Non-equity	16		<u>44,466,917</u>		<u>44,466,917</u>
			<u>81,182,197</u>		<u>67,317,544</u>

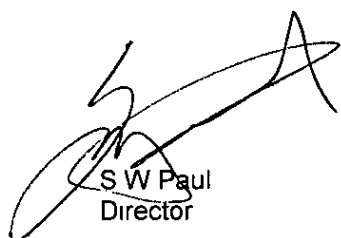
The financial statements on pages 6 to 20 were approved by the Board of Directors on 30 October 2007 and were signed on its behalf by


S W Raul
Director

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
BALANCE SHEET
AS AT 30TH JUNE 2007

		2007	2006
		£	£
	Notes		
Fixed assets			
Investments			
Shares in group undertakings	11a	84,109,521	84,109,521
Current assets			
Debtors	12	1,240,709	8,938,306
Deferred tax asset	13	-	23,551
Cash at bank		7,043,931	172,271
		<u>8,284,640</u>	<u>9,134,128</u>
Creditors			
Amounts falling due within one year	14	<u>(102,043)</u>	<u>(1,764,547)</u>
Net current assets		<u>8,182,597</u>	<u>7,369,581</u>
Net assets		<u>92,292,118</u>	<u>91,479,102</u>
Capital and reserves			
Share capital	16	110,226,088	110,226,088
Profit and loss account	19	(17,933,970)	(18,746,986)
	20	<u>92,292,118</u>	<u>91,479,102</u>
Analysis of shareholders' funds			
Equity		47,825,201	47,012,185
Non-equity	16	44,466,917	44,466,917
		<u>92,292,118</u>	<u>91,479,102</u>

The financial statements on pages 6 to 20 were approved by the Board of Directors on 30 October 2007 and were signed on its behalf by


S W Paul
Director

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2007

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.

The Group has recognised a deferred tax asset in respect of decelerated capital allowances. As a result, the prior year Profit and Loss Account and Balance Sheet have been restated to show the prior year deferred tax asset from decelerated capital allowances amounting to £444,000.

(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 2007.

(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 Group 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 Group 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 Group 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 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 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 2007.

(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 2007

(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 is recorded at the exchange rate on the date of invoices so foreign exchange differences arise between the rate on the date of invoice and the rate at which the amounts are translated into sterling 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

Investments are stated at cost. 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) Limited 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) Cash flow statement

The Company is a wholly owned subsidiary of Commonwealth Bank of Australia and the cash flows 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 2007

2. Turnover

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

	2007	2006
	£	£
Attributable to origin of funds under management		
UK	36,959,377	28,857,452
Overseas	28,764,751	24,708,639
	<u>65,724,128</u>	<u>53,566,091</u>

3. Operating profit

	2007	2006
	£	£
Operating profit is stated after charging		
Employment costs (note 4)	24,791,596	17,804,335
Amortisation of goodwill (note 9)	1,290,783	1,290,784
Amortisation of intangible investment (note 11(b))	704,048	1,442,049
Depreciation of owned fixed assets (note 10)	356,565	387,125
Provision of non-audit services by auditor		
Group	15,000	20,300
Company	15,000	5,100
Foreign exchange differences	419,200	139,703
Operating lease payments	911,979	912,655
Loss on sale of fixed assets	(208)	-

The remuneration of the Company's auditors for the provision of audit services for the Group £118,000 (2006 £91,800), the Company £19,800 (2006 £18,500) This remuneration is being settled by a Group parent company

4. Employment costs

	2007	2006
	£	£
Salaries	14,673,839	12,493,181
Social security costs	2,731,434	1,266,663
Pension costs	1,489,521	542,451
Other employment costs	5,896,802	3,491,865
	<u>24,791,596</u>	<u>17,794,160</u>

The average number of staff employed during the year was 165 (2006 157) This comprised 34 (2006 38) fund management staff and 131 (2006 119) administration staff

5 Directors' emoluments

	2007	2006
	£	£
Directors' emoluments excluding pension contributions	<u>4,021,793</u>	<u>1,071,334</u>
Aggregate pension contributions of all Directors	<u>123,922</u>	<u>119,836</u>
The emoluments, excluding pension contributions, of the highest paid director	<u>2,286,972</u>	<u>560,981</u>
Pension contributions of the highest paid director	<u>67,493</u>	<u>36,585</u>

Pension benefits are accruing to three (2006 three) Directors under pension schemes operated by the Company The accrued retirement benefit of the highest paid Director was £28,859 (2006 £78,592)

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2007

6. Other income	2007	2006
	£	£
Gain on sale of investments	1,001	9,396
Other income	191,106	2,575
	<u>192,107</u>	<u>11,971</u>
7. Interest payable	2007	2006
	£	£
Bank interest payable	137,247	11,899
Interest payable on Loan notes	77,844	87,154
	<u>215,091</u>	<u>99,053</u>
8. Tax on profit on ordinary activities	2007	2006
	£	Restated £
UK corporation tax on profits of the period	7,115,516	3,073,846
Adjustments in respect of previous periods	(309,661)	109,001
Overseas tax	1,735	1,605
Total current tax	6,807,590	3,184,452
Deferred taxation	(278,107)	(2,223,091)
Tax on profit on ordinary activities	<u>6,529,483</u>	<u>961,361</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% (2006 30%)

	2007	2006
	£	Restated £
Profit on ordinary activities before tax	<u>20,394,135</u>	<u>18,037,149</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	6,118,241	5,411,145
Long term incentive plan and related national insurance & donation disallowance	1,909,269	1,103,327
Goodwill amortisation	387,235	387,235
Utilisation of brought forward losses	(1,691,233)	(4,071,462)
Disallowed expenses	248,573	134,474
SSAP 24 disallowance	-	(229,956)
Adjustment to US investment value	-	127,244
Capital allowances in excess of depreciation	(67,784)	(93,532)
Disallowance for US investment amortisation	211,215	305,371
Adjustments in respect of previous periods	(309,661)	109,001
Overseas tax	1,735	1,605
Current tax charge for the period	<u>6,807,590</u>	<u>3,184,452</u>

The Group previously had tax losses (2006 - £5,204,057) arising from prior years in the UK on which a deferred tax asset was previously recognised (2006 £1,561,217). As the losses have now been fully utilised in the current year the deferred tax asset is reduced to nil. A deferred tax asset of £3,366,845 (2006 - £1,431,237) has been recognised in respect of both the future deductibility of the LTIP provision once it vests on the employee beneficiaries and charitable donations not yet paid. A further deferred tax asset of £359,839 (2006 £456,123) relating to decelerated capital allowances and other timing differences has now been recognised.

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2007

8. Tax on profit on ordinary activities (continued)

No provision has been made for deferred tax on gains on intangible investments which have been rolled over under a Group rollover relief claim. The total amount unprovided for is £47,100 (2006 £259,123). At present, it is not envisaged that the investment will be sold in the foreseeable future and therefore no tax is expected to become payable.

9. Goodwill	£
<u>Cost</u>	
At 30th June 2006	25,815,665
Additions	-
Write-off	-
At 30th June 2007	<u>25,815,665</u>
 <u>Amortisation</u>	
At 30th June 2006	8,064,157
Charge for the year	1,290,783
At 30th June 2007	<u>9,354,940</u>
 Net book value	
At 30th June 2007	<u>16,460,725</u>
At 30th June 2006	<u>17,752,508</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.

10. Tangible Fixed Assets	Leasehold Improvements £	Office Furniture And Equipment £	Total £
<u>Cost</u>			
At 30th June 2006	497,568	2,082,786	2,580,354
Additions	-	160,639	160,639
Disposals	-	527,162	527,162
At 30th June 2007	<u>497,568</u>	<u>1,716,263</u>	<u>2,213,831</u>
 <u>Depreciation</u>			
At 30th June 2006	296,623	1,499,939	1,796,562
Charge for the year	74,671	281,894	356,565
Disposals	-	525,969	525,969
At 30th June 2007	<u>371,294</u>	<u>1,255,864</u>	<u>1,627,158</u>
 <u>Net Book Value</u>			
At 30th June 2007	<u>126,274</u>	<u>460,399</u>	<u>586,673</u>
At 30th June 2006	<u>200,945</u>	<u>582,847</u>	<u>783,792</u>

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2007

11. Investments

(a) Group undertakings

The Company has the following subsidiary undertakings -

Name of company	Nature of Business	Description of shares held	% held	2007 £	2006 £
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
				<u>84,109,521</u>	<u>84,109,521</u>

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

Name of company	Nature of Business	Description of shares held	% held
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

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

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11. Investments continued

(b) Intangible investments

	£
<u>Cost</u>	
At 30th June 2006	4,435,751
Change in carrying value	-
Change in estimated deferred consideration	-
At 30th June 2007	<u>4,435,751</u>
<u>Amortisation</u>	
At 30th June 2006	3,572,009
Charge for the year	704,048
At 30th June 2007	<u>4,276,057</u>
<u>Net book value</u>	
At 30th June 2007	<u>159,694</u>
At 30th June 2006	<u>863,742</u>

On 20th September 2002 First State Investments International Limited paid US\$2.75million (£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 31st 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 as at 30th June 2007. The total amount of the deferred consideration was added to the carrying value of the intangible investment.

(c) Other investments

	2007 £	2006 £
First State Investments ICVC and VCC	5,228,356	3,075,000
First State Investments Delaware Statutory Trust	5,634	5,634
Seeding into Hedge fund products	322,100	-
	<u>5,556,090</u>	<u>3,080,634</u>

For certain directors and employees of the First State group of companies there are in place long term incentive plans (LTIPs) to motivate, incentivise and retain their services within the group. The cash payout to the beneficiaries of the LTIPs are dependent on the investment performance of a basket of funds managed by the Group. To hedge the economic cost of the potential increase in this liability over the three year vesting periods, the Company has purchased the equivalent value of shares for the 30th June 2005 and 2006 LTIP pools. A similar hedge of the 30th June 2007 pools will be undertaken in 2007 by which time the value of those pools and the investment mix will have been agreed.

(d) Current asset investments

Current asset investments comprise £634,712 (2006: £422,699)

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12. Debtors: amounts falling due within one year

	2007		2006	
	The Group	The Company	The Group	The Company
	£	£	£	£
Trade debtors	40,490,177	-	27,332,652	-
Amounts owed by group undertakings	2,106,461	1,236,932	1,279,685	1,838,306
Group relief	-	-	7,734	-
Other debtors	381,936	-	432,981	-
Other taxation and social security costs	284,294	700	-	-
Other tax recoverable	1,181,104	-	178	-
Sub-ordinated loan to First State Investment Management (UK) Limited	-	-	-	7,100,000
Prepayments and accrued income	9,566,368	3,077	8,560,477	-
	<u>54,013,340</u>	<u>1,240,709</u>	<u>37,613,707</u>	<u>8,938,306</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 were repayable after receiving one month's written notice but only once a two year term had expired. Interest was 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 and the loan for £3,500,000 was repaid on 31st May 2007.

13. Deferred tax asset

	2007		2006	
	The Group	The Company	The Group	The Company
	£	£	£	£
Provision at start of period	3,448,577	23,551	1,225,486	-
Deferred tax credit/(debit) in profit and loss	278,107	(23,551)	2,223,091	23,551
Provision at end of period	<u>3,726,684</u>	<u>-</u>	<u>3,448,577</u>	<u>23,551</u>
Deferred tax is provided at 29.5% or 28% (2006 30%) as follows				
Tax losses carried forward	-	-	1,561,217	23,551
LTIP provision not yet available for tax relief	3,366,845	-	1,431,237	-
Decelerated capital allowances	359,839	-	456,123	-
	<u>3,726,684</u>	<u>-</u>	<u>3,448,577</u>	<u>23,551</u>

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14. Creditors: amounts falling due within one year

	2007		2006	
	The Group £	The Company £	The Group £	The Company £
Trade creditors	28,647,008	-	26,141,063	-
Bank overdraft	4,015,979	-	-	-
Amounts owed to group undertakings	2,997,974	7,854	-	-
Other taxation and social security costs	620,611	-	203,001	-
Accruals and deferred income	12,286,211	4,920	7,162,968	4,600
Loan notes	-	-	1,751,915	1,751,915
Other creditors	186,466	-	34,851	-
Due under LTIP schemes (including NIC thereon)	2,512,581	-	-	-
Group relief/Corporation tax payable	2,761,081	89,269	4,160,966	8,032
	<u>54,027,911</u>	<u>102,043</u>	<u>39,454,764</u>	<u>1,764,547</u>

The loan notes paid interest at LIBOR less 0.5 per cent. They were redeemed in full on 30th June 2007. Payments of principal and interest were guaranteed by Colonial Holding Company Pty Limited.

15. Creditors: amounts falling due after one year

	The Group 2007 £	The Group 2006 £
Amounts due under LTIP scheme (including NIC thereon)		
Provision at start of the period	4,767,880	1,093,032
Charge to profit and loss during period	5,263,994	3,674,848
Amount now due within one year	(2,512,581)	-
Amount now payable to charity within one year	(988,628)	-
Provision at end of period	<u>6,530,665</u>	<u>4,767,880</u>

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

16. Share capital

	The Group and Company 2007 £	The Group and Company 2006 £
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. 33,000,000 redeemable preference shares were redeemed on 16th October 2007 at par value and funds were provided by subsidiaries in order to facilitate this payment out of capital.

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 in the year to 30th June 2007 are as follows -

	Land & Buildings 2007 £	Land & Buildings 2006 £
Leases expiring within one year	-	-
Leases expiring between two and five years	-	495,428
Leases expiring in more than five years	1,332,268	470,000
	<u>1,332,268</u>	<u>965,428</u>

The lease on the Company's London property that was due to expire in September 2008 has been renegotiated at the same time as arranging to lease a further floor, effective for a minimum lease term of 10 years from 28th September 2007

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 £355,226 (2006 £230,967) and there were no outstanding or prepaid contributions at 30th June 2006 or 2007.

Previously the group 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 ongoing 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 £1,111,378 (2006 £1,063,952) and there were no outstanding or prepaid contributions as at 30th June 2006 or 2007. 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 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 2007.

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

	2007 £'m	2006 £'m
Total market value of assets	160.9	153.3
Present value of scheme liabilities	169.4	172.2
Deficit in the scheme	<u>8.5</u>	<u>18.9</u>

FIRST STATE INVESTMENTS (UK HOLDINGS) LIMITED
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19. Profit and loss account

	The Group 2007	The Company 2007	The Group 2006 Restated	The Company 2006
	£	£	£	£
At start of period	(42,908,544)	(18,746,986)	(59,984,332)	(19,161,339)
Retained profit for period	13,864,653	813,016	16,631,788	414,353
Effect of restating profit	-	-	444,000	-
At end of period	<u>(29,043,891)</u>	<u>(17,933,970)</u>	<u>(42,908,544)</u>	<u>(18,746,986)</u>

Reconciliation of movements in shareholders' funds

20.

	The Group 2007	The Company 2007	The Group 2006 Restated	The Company 2006
	£	£	£	£
Total recognised profits	13,864,653	813,016	17,075,788	414,353
Opening shareholder's funds	67,317,544	91,479,102	50,241,756	91,064,749
Closing shareholder's funds	<u>81,182,197</u>	<u>92,292,118</u>	<u>67,317,544</u>	<u>91,479,102</u>

21 Contingent Liability

On 28th June 2007, the European Court of Justice ('ECJ') ratified the Advocate General's previous conclusion that the management fees of investment trusts, like those of authorised unit trusts and OEICs should be an exempt service for the purposes of VAT. Her Majesty's Revenue and Customs ('HMRC') is yet to comment on the ECJ's conclusion, and the decision has not yet been ratified by the UK VAT Tribunal. Should the ECJ's judgement be accepted by HMRC, investment trust companies may be able to claim for a refund of VAT previously charged to them by the Group. It is currently uncertain how far back such claims could reach (interested parties argue that this could be anything between 2001 and 1990). It is also unclear whether claims would be for the full amount of VAT charged or only the amount of VAT charged adjusted for input tax that the Group had recovered against this. Claims could be further limited to the amount of VAT not previously recovered by the investment trusts themselves.

Should all investment trust clients claim all VAT back on a gross basis from 1990 and should the Group only be able to reclaim VAT back to 2001 from HMRC net of input tax, the maximum differential is estimated to be between £1.5m and £2.0m after adjusting for estimated prior recovery within the investment trusts themselves.

The Group's position is that it will only repay to investment trust clients amounts to the extent that they can be reclaimed by the Group itself from HMRC. The Group intends to resist all claims in order that it reaches a settlement with its investment trust clients at no cost to the Group.

22 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.

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