

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2004**

Registered No. 47708



**FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2004**

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**FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30th JUNE 2004**

Directors: G R Cooper
 S W Paul
 T D T Waring (appointed 01/10/03)

Secretary: J S Ayling

Registered Office: 23 St Andrew Square, Edinburgh, EH2 1BB

The Directors present their report and the audited financial statements for the year ended 30th June 2004.

Principal Activities and Status

The principal activities of the Company are the management of investment portfolios. The Company is a wholly owned subsidiary of SI (Holdings) Limited. The Company is regulated by the FSA.

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.

Over the past 12 months we have further refined our product offering along these specialist themes, closing a number of non-core pooled funds, and launching new products in Asia Pacific ex-Japan equities, global emerging markets equities and debt, greater China, and global resources equities. Over this period we have attracted significant asset flows from institutional investors in particular into Asia Pacific ex-Japan and global emerging markets equities. First State has also embarked upon a funds management joint venture in China, and launched First State Investments Indonesia, extending the Commonwealth Bank's wealth management capabilities further in the Asian region.

**FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30th JUNE 2004**

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.

Results and Dividends

The loss for the year after taxation was £8,271,064 (2003- £8,161,755).

The Directors do not recommend a final dividend.

The balance of losses retained on the Profit and Loss Account was thus £38,427,264 (2003 - £30,156,200).

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.

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.

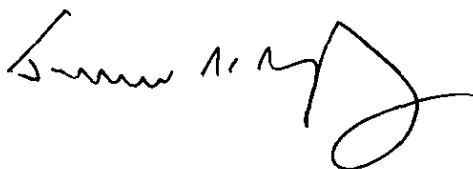
**FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30th JUNE 2004**

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 meetings;
- (ii) the holding of an annual general meeting; and
- (iii) the obligation to appoint auditors annually.

By Order of the Board

A handwritten signature in black ink, appearing to read 'J S Ayling', with a large, stylized flourish at the end.

J S Ayling
Secretary
Edinburgh
28th October 2004

INDEPENDENT AUDITORS' REPORT
to the shareholders of First State Investment Management (UK) Limited

We have audited the Company's financial statements for the year ended 30th June 2004 which comprise the Profit and Loss Account, Balance Sheet, and the related notes 1 to 14. 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.

INDEPENDENT AUDITORS' REPORT
to the shareholders of First State Investment Management (UK) Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 30th June 2004 and of its loss 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 October 2004

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30th JUNE 2004

	Notes	Year to 30th June 2004 £	Year to 30th June 2003 £
Turnover	2	27,375,497	14,350,740
Administrative expenses		<u>(39,198,151)</u>	<u>(34,598,661)</u>
Operating loss	3	(11,822,654)	(20,247,921)
Other operating income	4	143,418	7,984,829
Interest receivable		400,633	462,090
Interest payable		<u>(110,630)</u>	<u>(166)</u>
Loss on ordinary activities before tax		(11,389,233)	(11,801,168)
Tax on loss on ordinary activities	6	<u>3,118,169</u>	<u>3,639,413</u>
Loss on ordinary activities after tax and Retained loss for the year		<u>(8,271,064)</u>	<u>(8,161,755)</u>

There were no acquisitions during the year.

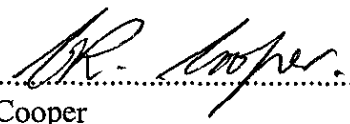
There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

There were no other recognised gains and losses other than those shown above.

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
BALANCE SHEET
AS AT 30th JUNE 2004

		2004		2003	
	Notes	£	£	£	£
Fixed Assets					
Investments	7		1,501,100		1,526,100
Current Assets					
Debtors	8	6,183,141		6,128,993	
Cash at bank		11,010,050		10,463,921	
		<u>17,193,191</u>		<u>16,592,914</u>	
Creditors					
Amounts falling due within one year	9	(3,265,246)		(2,768,905)	
Net Current Assets			13,927,945		13,824,009
Total Assets less Current Liabilities			<u>15,429,045</u>		<u>15,350,109</u>
Creditors:					
Amounts falling due after more than one year	10		(7,100,000)		-
Net Assets			<u>8,329,045</u>		<u>15,350,109</u>
Capital and Reserves					
Called up Share Capital	11		46,756,309		45,506,309
Profit and Loss Account	12		(38,427,264)		(30,156,200)
Equity Shareholders' funds	12		<u>8,329,045</u>		<u>15,350,109</u>

The financial statements on pages 6 to 14 were approved by the Board of Directors on 28th October 2004 and were signed on its behalf by:

.....  Director
G R Cooper

28th October 2004

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2004

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 applied consistently, is set out below.

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

(b) Taxation

The charge for taxation is based on the profit 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.

(c) 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.

(d) Investments

Investments are shown in the Balance Sheet at the lower of cost or Directors' valuation.

(e) Cashflow statement

No cashflow statement has been prepared as a consolidated cashflow statement is included in the financial statements of the ultimate holding company, Commonwealth Bank of Australia.

2. Turnover

Turnover is the total of investment management, advisory and administration fees.

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2004

	2004	2003
	£	£
3. Operating loss		
Operating loss is stated after charging:		
Auditors' remuneration – non audit services	5,000	5,860
Foreign exchange differences	1,133	116

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The remuneration of the Company's auditors for the provision of audit services was £13,500 (2003 - £10,500). This remuneration is being settled by a Group parent company.

	2004	2003
	£	£
4. Other operating income		
Dividends received – unlisted investments	8,608	538,550
Gain on sale of assets	-	7,352,382
Other income	134,810	93,897
	<u>143,418</u>	<u>7,984,829</u>

The gain on sale of assets relates to the sale of the private client and charity business on 23rd August 2002.

5. Directors' emoluments

No Director receives any remuneration direct from the Company. Full details of Directors' remuneration are given in the financial statements of First State Investments (UK Holdings) Limited.

	2004	2003
	£	£
6. Tax on loss on ordinary activities		
Group tax relief (see reconciliation below)	3,388,201	4,180,955
Group relief under provided in prior year	(270,032)	(534,342)
Corporation tax under provided in prior year	-	(7,200)
	<u>3,118,169</u>	<u>3,639,413</u>

Taxable losses of the Company can be set off against taxable gains in other Companies within the Commonwealth Bank of Australia group for a full value of 30%.

Factors affecting tax charge for the period.

The group relief on the loss on ordinary activities for the period differs from that calculated at the standard rate of corporation tax in the UK of 30% (2003 : 30%)

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2004

6. Tax on loss on ordinary activities contd.	2004	2003
	£	£
Loss on ordinary activities before tax	<u>(11,389,233)</u>	<u>(11,801,168)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 : 30%)	(3,416,770)	(3,540,350)
Effect of :		
Loss on sale of investment	28,569	-
Gain on sale of assets rolled into investment in other group company	-	(2,205,715)
Restriction on group relief claimed by other companies in same UK tax group	-	1,727,710
Effect of non-taxable group dividends included in loss above	-	(162,600)
Current group relief for the period	<u>(3,388,201)</u>	<u>(4,180,955)</u>

The Company has tax losses arising from prior years in the UK which amount to £21,935,051 (2003: £25,939,712) 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.

7. Investments

(a) Group Undertakings

The Company has the following unlisted subsidiary undertakings:

Name of Company	Description of shares held	% held	Investment at cost	
			2004 £	2003 £
Stewart Ivory Unit Trust Managers Limited (liquidated)	Ordinary £1	100	-	25,000
First State Investments International Limited	Ordinary £1	100	1,500,100	1,500,100

The above companies are or were engaged in investment management.

First State Investments Nominees Limited (non trading nominee company)	Ordinary £1	100	-	-
			<u>1,500,100</u>	<u>1,525,100</u>

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2004

7. Investments cont.

(a) Group Undertakings contd.

Consolidated accounts have not been prepared in respect of the Company and its subsidiaries as the results and financial position of the companies are reflected in the financial statements of First State Investments (UK Holdings) Limited, which is registered in England and Wales.

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

(b) Other Investments	2004 £	2003 £
Investment in joint arrangement	<u>1,000</u>	<u>1,000</u>

The investment in joint arrangement represents a 50% interest in Cunningham Stewart Ivory Limited which is a company registered in Northern Ireland. As at 30 June 2004 Cunningham Stewart Ivory Limited was in the process of liquidation.

8. Debtors	2004 £	2003 £
Trade debtors	641,241	349,805
Amounts owed from group undertakings	632,596	440,113
Prepayments and accrued income	1,623,966	730,979
Group tax relief	3,285,338	4,608,096
	<u>6,183,141</u>	<u>6,128,993</u>

9. Creditors: amounts falling due within one year	2004 £	2003 £
Amounts owed to group undertakings	2,855,953	2,553,933
Value added tax	147,019	63,877
Accruals and deferred income	262,274	151,095
	<u>3,265,246</u>	<u>2,768,905</u>

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2004

10. Creditors : amounts falling due after more than one year

	2004	2003
	£	£
Sub-ordinated loan from FSI (UK Holdings) Ltd	<u>7,100,000</u>	<u>-</u>

Two loans were made on 1st April 2004 to the Company from FSI (UK Holdings) Ltd 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 payable on each loan on 31st March each year at a rate of 1.5% above LIBOR.

11. Share capital

	2004	2003
	£	£
Authorised:		
'A' Ordinary shares of £1	98,016	98,016
'B' Ordinary shares of £1	<u>77,126,984</u>	<u>77,126,984</u>
	<u>77,225,000</u>	<u>77,225,000</u>
Issued & full paid:		
'A' Ordinary shares of £1	98,016	98,016
'B' Ordinary shares of £1	<u>46,658,293</u>	<u>45,408,293</u>
	<u>46,756,309</u>	<u>45,506,309</u>

1,250,000 'B' Ordinary shares were issued on 29 December 2003 at the £1 nominal value of the shares issued.

The 'A' shares carry the right to receive the first £100,000 distributed by way of dividend. Any remaining balance to be distributed shall be distributed amongst the 'A' and 'B' shares *pari passu* accordingly to their respective nominal values.

On a return of capital, or liquidation or otherwise, the net assets of the Company shall be distributed amongst the 'A' and 'B' shares *pari passu* in proportion to the amounts paid up thereon.

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2004

12. Reconciliation of shareholders' funds and movement on reserves

	Share Capital	Profit & Loss Account	Total
	£	£	£
At 30th June 2002	37,431,309	(21,994,445)	15,436,864
Loss for the year	-	(8,161,755)	(8,161,755)
Shares issued in year	8,075,000	-	8,075,000
At 30th June 2003	45,506,309	(30,156,200)	15,350,109
Loss for the year	-	(8,271,064)	(8,271,064)
Shares issued in year	1,250,000	-	1,250,000
At 30th June 2004	46,756,309	(38,427,264)	8,329,045

13. 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 Australia or at the following website: www.commbank.com.au.

The smallest such group is that of First State Investments (UK Holdings) Limited, whose consolidated accounts may be obtained from 23 St. Andrew Square, Edinburgh EH2 1BB.

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2004

14. Related party disclosures

The Company'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.