

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2005**



Registered No. SC047708

**FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2005**

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**FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30th JUNE 2005**

Directors: G R Cooper
S W Paul
T D T Waring

Secretary: A C N Smith (appointed 28 April 2005)
G V Davies (appointed 28 April 2005)
J S Ayling (resigned 28 April 2005)

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 2005.

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 Investment Management (UK) Limited is a Company within the First State global asset management group which is a specialist provider of investment management services, aiming to consistently deliver high quality outcomes to investors and their advisers worldwide.

At First State, we 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. Our experience in these areas has attracted investors and advisers in the UK, Asia and Continental Europe to our pooled fund product range. Our ability to structure products along our core specialisations has attracted segregated mandates from institutions worldwide.

First State's UK and Asian operations are administered as one business. Our clients benefit from the combined expertise of the 49* investment staff across Edinburgh, London, Sydney, Singapore and Hong Kong. With close links between our Asian and UK teams we have the advantage of being able to create unique products that benefit from developments in the Asian region.

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 advisers

* as at 30 June 2005

**FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30th JUNE 2005**

Review of Business and Future Developments continued

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 refine our product set through rationalisation of non-core offerings, and the new specialist funds launched in the 2003/2004 year in Asia Pacific ex-Japan equities, global emerging markets equities and debt, greater China, and global resources equities now total in excess of £700 million in assets under management. We continue to attract strong asset flows into Asia Pacific ex-Japan and global emerging markets equities products in particular from institutional investors, and most of our core markets and products performed well throughout the period, generating strong positive returns for investors.

Results and Dividends

The profit for the year after taxation was £5,227,258 (2004 - loss £8,271,064).

The Directors do not recommend a final dividend. The balance of losses retained on the Profit and Loss Account was thus £33,200,006 (2004 - £38,427,264).

Directors and their Interests

The Directors of the Company during the year were those listed on page 1. 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 2005**

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 C N Smith
Secretary
Edinburgh

25 October 2005

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

We have audited the Company's financial statements for the year ended 30th June 2005 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 financial statements. 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 members 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 2005 and of its profit 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

25 October 2005

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30th JUNE 2005

	Notes	2005	2004
		£	£
Turnover	2	26,874,670	27,375,497
Administrative expenses		(22,728,028)	(39,198,151)
Operating profit/(loss)	3	4,146,642	(11,822,654)
Other operating income	4	19,774	143,418
Interest receivable		571,808	400,633
Interest payable		(444,300)	(110,630)
Profit/(loss) on ordinary activities before tax		4,293,924	(11,389,233)
Tax on profit/(loss) on ordinary activities	6	933,334	3,118,169
Profit/(loss) on ordinary activities after tax and retained profit/(loss) for the year		<u>5,227,258</u>	<u>(8,271,064)</u>

There were no material acquisitions or discontinued operations during the year.

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(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 2005

		2005		2004	
	Notes	£	£	£	£
Fixed Assets					
Investments	7		2,263,600		1,501,100
Current Assets					
Debtors	8	6,910,835		6,183,141	
Cash at bank		11,916,472		11,010,050	
		<u>18,827,307</u>		<u>17,193,191</u>	
Creditors					
Amounts falling due within one year	9	<u>(7,534,604)</u>		<u>(3,265,246)</u>	
Net current assets			11,292,703		13,927,945
Total assets less current liabilities			<u>13,556,303</u>		<u>15,429,045</u>
Creditors:					
Amounts falling due after more than one year	10		-		(7,100,000)
Net assets			<u>13,556,303</u>		<u>8,329,045</u>
Capital and Reserves					
Called up Share Capital	11		46,756,309		46,756,309
Profit and Loss Account	12		<u>(33,200,006)</u>		<u>(38,427,264)</u>
Equity Shareholders' funds	12		<u>13,556,303</u>		<u>8,329,045</u>

The financial statements on pages 6 to 14 were approved by the Board of Directors on 25 October 2005 and were signed on its behalf by:



G R Cooper
 Director

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2005

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 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.

(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 2005

	2005	2004
	£	£

3. Operating profit/(loss)

Operating profit/(loss) is stated after charging:

Auditors' remuneration – non audit services	5,500	5,000
Foreign exchange differences	29,483	1,133

The remuneration of the Company's auditors for the provision of audit services was £15,000 (2004 - £13,500). This remuneration is being settled by a Group parent company.

	2005	2004
	£	£
Dividends received – unlisted investments	-	8,608
Gain on sale of investments	22,274	-
Other income	(2,500)	134,810
	<u>19,774</u>	<u>143,418</u>

The gain on sale of investments relates to the gain on the liquidation of a subsidiary company, Stewart Ivory Unit Trust Managers Limited.

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.

	2005	2004
	£	£
Group tax relief (see reconciliation below)	-	3,388,201
Group relief under provided in prior year	(292,152)	(270,032)
Deferred taxation	1,225,486	-
	<u>933,334</u>	<u>3,118,169</u>

Factors affecting tax charge for the period.

The group relief on the profit/(loss) on ordinary activities for the period differs from that calculated at the standard rate of corporation tax in the UK of 30% (2004 : 30%)

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2005

6. Tax on profit/(loss) on ordinary activities continued	2005	2004
	£	£
Profit/(loss) on ordinary activities before tax	4,293,924	(11,389,233)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004 : 30%)	1,288,177	(3,416,770)
Effect of :		
Loss on sale of investment	-	28,569
Capital allowances	(5,388)	-
Prior year management charge not included in original provision	(150,000)	-
Brought forward losses utilised	(1,132,789)	-
Current group relief for the period	-	(3,388,201)

The Company has tax losses arising from prior years in the UK which amount to £18,656,506 (2004: £21,935,051) that are available indefinitely for offset against future taxable profits. A deferred tax asset of £1,225,486 (2004: £nil) has been recognised in respect of the losses which are deemed to be prudently available against future short-term profits.

7. Investments

The Company holds the under noted investments:

	2005	2004
	£	£
Group undertakings - subsidiary	2,250,100	1,500,100
Other investments	13,500	1,000
	<u>2,263,600</u>	<u>1,501,100</u>

Details of the Company's Investments are shown below:

(a) Group undertakings

Name of Company	Description of shares held	% held	Investment at cost	
			2005	2004
			£	£
First State Investments International Limited	Ordinary £1	100	2,250,100	1,500,100
Stewart Ivory Unit Trust Managers Limited (in liquidation)	Ordinary £1	100	-	-

The above companies are or were engaged in investment management.

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2005

7. Investments continued

(a) Group undertakings continued

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	2005	2004
	£	£
Investment in joint arrangement	1,000	1,000

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 2005 Cunningham Stewart Ivory Limited was in the process of being wound up.

Investment in First State Investments AIM VCT plc	12,500	-
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500,000 Redeemable Preference Shares of 10p per share were purchased on 24 January 2005 at a partly paid price of 2.5p per share.

8. Debtors	2005	2004
	£	£
Trade debtors	130,786	641,241
Amounts owed by subsidiary undertaking	3,155,591	632,596
Prepayments and accrued Income	2,096,109	1,623,966
Other debtors	1,200	-
Deferred tax	1,225,486	-
Group relief	301,663	3,285,338
	<u>6,910,835</u>	<u>6,183,141</u>

9. Creditors: amounts falling due within one year	2005	2004
	£	£
Amounts owed to group undertaking	88	2,855,953
Other taxation & social security	140,228	147,019
Accruals and deferred income	294,288	262,274
Sub-ordinated loan from First State Investments (UK Holdings) Limited (see note 10)	7,100,000	-
	<u>7,534,604</u>	<u>3,265,246</u>

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2005

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

	2005 £	2004 £
Sub-ordinated loan from First State Investments (UK Holdings) Limited	-	7,100,000

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

11. Share capital

	2005 £	2004 £
Authorised:		
'A' Ordinary shares of £1	98,016	98,016
'B' Ordinary shares of £1	77,126,984	77,126,984
	<u>77,225,000</u>	<u>77,225,000</u>
Issued & fully paid:		
'A' Ordinary shares of £1	98,016	98,016
'B' Ordinary shares of £1	46,658,293	46,658,293
	<u>46,756,309</u>	<u>46,756,309</u>

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 2005

12. Reconciliation of shareholders' funds and movement on reserves

	Share Capital	Profit & Loss Account	Total
	£	£	£
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
Profit for the year	-	5,227,258	5,227,258
At 30th June 2005	46,756,309	(33,200,006)	13,556,303

13. 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.

**FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2005**

14. 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 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.