First State Investments

First State Investment Management (UK) Limited

REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2017

REGISTERED NUMBER SC047708

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FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2017

Directors:

The Directors of First State Investment Management (UK) Limited ("the Company") who were in office during the year and up to the date of signing the financial statements were:

- P Griffiths
- C F Johnson
- K Lakhani
- M J Lazberger
- S Turner
- C R S Turpin
- R C Wastcoat

Company Secretary:

The following person held office as a Secretary during the year and up to the date of this report:

R Sheppard

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

The Company is a private company limited by shares and is incorporated in Scotland.

The Directors present their report and the audited financial statements of the Company for the year ended 30 June 2017.

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 2006.

Directors' and Officers' Insurance

Subject to the Companies Act 2006, insurance policies have been effected for the Directors and Officers of all FSI EMEA Group companies in respect of potential liabilities arising from negligence or error.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report of the Directors 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

Statement of Directors' Responsibilities (continued)

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

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

Disclosure of Information to Auditors

In the case of each of the Directors, the following applies:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

On behalf of the Board

C R S Turpin
Director
London

12 October 2017

Review of Business, Risks and Uncertainties

The Company is part of the international operations of Colonial First State Global Asset Management ("CFSGAM"). CFSGAM operates as First State Investments outside Australia. CFSGAM/First State Investments is the consolidated asset management division of Commonwealth Bank of Australia ("CBA"). As at 30 June 2017, CFSGAM and First State Investments collectively managed A$219bn (2016: A$199bn) in assets under management on behalf of institutional investors, pension funds, wholesale distributors and platforms, financial planners and their clients worldwide.

CFSGAM is managed by CBA's Wealth Management ("WM") division. Within CBA, WM 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. WM also provides strategic and operational support for the investment and insurance products of group companies.

The Company provides a range of specialist investment management services. The core areas of investment expertise cover Listed Equities, Fixed Income and Direct Infrastructure.

The Company supports a number of different investment teams that offer a variety of strategies across each of these asset classes for different client types. Our clients range from institutional investors such as defined benefit pension funds and sovereign wealth funds, to investors whose assets are aggregated by intermediaries.

The Company's distribution activities are performed throughout Europe and the Middle East with offices in Frankfurt, Paris and Dubai.

The Company's strategic principles are:

- to protect and enhance our existing business,
- to expand our range of investment capabilities,
- to broaden and deepen our distribution capabilities,
- to develop our organisational and managerial capabilities,
- continue to invest in and implement a global platform and processes.

Over the twelve months ended 30 June 2017 the business continued to develop successfully and in line with the key principles outlined above.

The key performance indicators of the First State Investments UK Group are:

	2017	**2016**
Average funds under management	£34.5bn	£33.1bn
Percentage of Funds outperforming 3 year benchmark	77.00%	76.00%
Net revenue margins by strategy		
Stewart Investors	0.79%	0.70%
First State Stewart Asia	0.66%	0.64%
Other Equities	0.66%	0.63%
Direct Infrastructure	1.42%	1.55%
Fixed Income	0.26%	0.30%

These alongside other business performance indicators are provided to the board of directors on a quarterly basis for review and monitoring.

Review of Business, Risks and Uncertainties (continued)

The Company has continued to monitor investment capacity across all of its investment strategies. As always the focus in this regard is to protect our existing investors and ensure that funds are closed ahead of them reaching a size that might compromise the ability to deliver competitive, long term returns.

During the year the Company has worked on new product developments that it feels will have long term relevance to our clients. This work will result in a number of launches during the next financial year.

The Company has also continued to focus on the continued evolution of our business development platform (both institutional and intermediated in the UK, Europe and the Middle East) and business infrastructure so that we can grow the business and support this growth in a robust and sustainable manner.

Under the Alternative Investment Fund Management Directive the Company delegates risk management responsibilities for relevant contracts to First State Investments (UK) Limited ("FSIUK"), which is the designated Alternative Investment Fund Manager for the EMEA region. As a result of this a portion of management fees relating to these products are now retained within FSIUK as compensation for the risk services provided with a corresponding reduction in revenue within the Company. The Company maintains responsibility for investment management activities in relation to these contracts.

The principal risk to the level of profitability of the Company is the underlying profitability of the investment management strategies within the Group in the event of a market correction or a sustained period of underperformance that leads to a significant decrease in funds under management. The particular long term investment style of the Group should protect its revenue and its customers' investments more than many competitors, should any correction materialise. The business is also exposed to key person risk associated with investment teams. The Directors are of the opinion that key person risk has been mitigated as far as possible by, amongst other things, the use of long term incentive schemes. These risks have been reported in First State Investment's Internal Capital Adequacy Assessment Process.

The Company has also recently applied a significant amount of resources to ensure compliance with a large volume of regulatory reforms impacting the entire industry during the course of the next financial year. Several project teams have been established to implement the required changes and the Directors consider the planning to be well advanced and on track to meet its obligations.

On 23 June 2016 the United Kingdom voted to leave the European Union. The effects of "Brexit" will impact asset managers in different ways. The FSI EMEA Group has formed a working committee which continues to assess the impacts on the Company and its operations. Whilst the final structure of the UK exit of the European Union is still unknown, planning has commenced to ensure business continuity under all scenarios and to also capitalise on any strategic opportunities that may also arise. There has been no effect on any of the Company's operations, assets or liabilities at the time of signing as a result of this event.

On 21 September 2017, the Company's ultimate parent, the CBA, announced that it is undertaking a strategic review of its global asset management business, CFSGAM, which is examining a range of options, including an Initial Public Offering ("IPO"). The Company and its operations are included within this strategic review, the outcome of which is uncertain at this time.

However, the Directors consider that the Company's activities will continue unchanged in the foreseeable future.

Results and Dividends

The profit for the financial year after taxation but before dividends was £19,681,000 (2016 as restated: £48,453,000).

Dividends were recommended and paid as follows:

2017				
			Paid to Ordinary Share Class	
Dividend	Date paid	Paid (£'000)	"A" (£'000)	"B" (£'000)
Interim	22/06/17	15,001	143	14,858
Final	n/a	-	-	-
		15,001	143	14,858

2016			
		Paid to Ordinary Share Class	
Date paid	Paid (£'000)	"A" (£'000)	"B" (£'000)
15/12/15	10,000	128	9,872
18/03/16	10,003	29	9,974
22/06/16	10,003	29	9,974
n/a	-	-	-
	30,006	186	29,820

The balance of profits retained in the Statement of Income and Retained Earnings was thus £9,309,000 (2016 as restated: £4,629,000).

The Company's assets under management stood at £21.8bn (2016: £21.6bn). These figures include the First State Investments ICVC assets of £19.5bn (2016: £17.7bn) as the Company is the appointed Advisor.

On behalf of the Board

C R S Turpin
Director
London
12 October 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED

Report on the financial statements

Our opinion

In our opinion, First State Investment Management (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 30 June 2017;
- the statement of income and retained earnings for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Allan McGrath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
12 October 2017

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 £'000	2016 £'000 As Restated
Revenue	2	102,667	120,725
Administrative expenses		(99,331)	(76,519)
Operating profit	3	3,336	44,206
Group dividends received		17,000	13,000
Other interest receivable and similar income		34	110
Interest payable and similar expenses		(51)	-
Profit on ordinary activities before taxation		20,319	57,316
Tax charge on profit on ordinary activities	5	(638)	(8,863)
Profit on ordinary activities after taxation		19,681	48,453
Retained earnings at beginning of year		4,629	(13,818)
Group dividends paid	6	(15,001)	(30,006)
Retained earnings at end of year		9,309	4,629

There were no material acquisitions or discontinued operations during either financial year.

For details of the prior year restatement please refer to note 16.

FIRST STATE INVESTMENT MANAGEMENT (UK) LIMITED

REGISTERED NUMBER SC047708

BALANCE SHEET AS AT 30 JUNE 2017

	Note	2017 £'000	2017 £'000	2016 £'000 As Restated	2016 £'000
Fixed Assets					
Investments	7		2,750		2,750
Current assets					
Cash at bank and in hand		141		43,422	
Debtors	8	83,468		53,786	
Deferred tax asset	9	1		1	
		83,610		97,209	
Creditors: Amounts falling due within one year	10	(42,795)		(61,074)	
Net current assets			40,815		36,135
Net assets			43,565		38,885
Capital and Reserves					
Called up share capital	11		34,256		34,256
Profit and loss account	12		9,309		4,629
Total shareholders' funds	12		43,565		38,885

For details of the prior year restatement please refer to note 16.

The financial statements and notes on pages 8 to 16 were approved and authorised for issue by the Board of Directors on 12 October 2017 and were signed on its behalf by:

C R S Turpin
Director

1. Principal activity and accounting policies

Principal activity
The principal activity of the Company is the management of investment portfolios, for clients resident both inside and outside the UK. The Company is regulated by the Financial Conduct Authority ("FCA") and the Securities and Exchange Commisson ("SEC").

CBA, incorporated in Australia and listed on the Australian Stock Exchange, is one of the largest Australian banks by market capitalisation and a leading provider of integrated financial services. CBA is regarded by the Directors of the Company as the Company's ultimate parent company.

Statement of compliance
The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006. The Company is taking advantage of the reduced disclosure exemptions in section FRS 102 1.12 from presenting a cash flow statement and certain related party disclosures.

Principal accounting policies
A summary of the accounting policies, which have been applied consistently, is set out below.

(a) Basis of accounting
These financial statements are prepared on the going concern basis, under the historical cost convention. The principal accounting policies which have been applied consistently throughout both years are set out below. The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, CBA, a company incorporated in Australia.

(b) Revenue
Revenue recognition is based on the benefits to the Company of any income flows which can be reliably determined. Revenue of the Company is from the provision of asset management services and includes management fees and performance fees. Revenue is presented net of Value Added Tax and other sales taxes.

Management fees are recognised as earned, over the year in which the services are performed. Such fees are primarily based on predetermined percentages of the value of assets under management and are presented net of allocations across entities made in accordance with our transfer pricing policy.

Performance fees are calculated with reference to performance benchmarks specified in the individual investment management agreements. Revenues arising in respect of performance fee arrangements are recognised provided that the outcome of such arrangements can be estimated reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Interest received (and paid) is recognised on an accruals basis by applying the appropriate rate of interest.

(c) Administrative expenses
Administrative expenses are recognised in the year in which they are incurred and include amounts recharged from another group company.

1. Principal activity and accounting policies (continued)

(d) Taxation

The charge for taxation is based on the profit or loss for the year as adjusted for disallowable items. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, together with adjustments to tax payable in respect of prior years.

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. Deferred tax assets are measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Deferred tax assets are recognised if it is considered probable 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 years.

(e) 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 Statement of Income and Retained Earnings within Administration Expenses.

(f) Investments

Investments in subsidiaries are shown in the Balance Sheet at cost less impairment, where applicable. Investments are subject to review for impairment by the Directors annually or otherwise when determined to be required.

(g) Cash flow statement

The Company is a wholly owned subsidiary of CBA and the cash flows of the Company are included in the consolidated group cash flow statement of CBA. Therefore the Company takes advantage of an exemption (FRS 102 1.12) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

(h) Employees

There are no employees of the Company (2016: nil). The management and administration is undertaken by employees of another group company.

(i) Debtors

Debtors are measured at the transaction price, less any impairment.

(j) Creditors

Trade creditors are measured at the transaction price.

2. Revenue

	2017 £'000	2016 £'000 As Restated
Revenue comprises:		
Management fees	15,812	23,536
Fees received from group undertakings	86,855	97,189
	102,667	120,725

For details of the prior year restatement please refer to note 16.

3. **Operating profit**	**2017 £'000**	**2016 £'000**
Operating profit is stated after charging/(crediting):		
Fees payable to auditors for audit of Company's Financial statements	26	23
Fees payable to auditors for FCA/regulatory fee	-	6
Other fees payable to auditor for taxation services	6	10
Foreign exchange loss/(gain)	179	(532)

4. **Directors' emoluments**	**2017 £'000**	**2016 £'000**
Directors' emoluments excluding pension contributions	3,584	3,157
Aggregate pension contributions of all Directors	11	53
The emoluments, excluding pension contributions, of the highest paid Director	1,290	1,057
Pension contributions of the highest paid Director	-	-

All Directors of any First State Investments group companies domiciled in the UK are remunerated by First State Investment Services (UK) Limited, a related entity, and the amounts shown here are the proportion recharged to the Company from that entity. These include 2 (2016: 2) employees who are only Directors of First State Investments (UK) Limited.

Pension benefits are accruing to 1 (2016: 4) Director under pension schemes operated by the Company. The accrued retirement benefit of the highest paid Director was £nil (2016: £nil).

5. **Tax on profit on ordinary activities**	**2017 £'000**	**2016 £'000 As restated**
Current tax:		
UK corporation tax on profits of the year	655	8,863
Overseas tax	(17)	-
Total current tax	638	8,863
Deferred tax adjustments in respect of previous year	-	-
Tax charge on profit on ordinary activities	638	8,863

Factors affecting tax charge for the year:
The corporation tax charge on the profit on ordinary activities for the year differs from that calculated at the standard rate of corporation tax in the UK of 19.75% (2016: 20.00%) as shown below.

	2017 £'000	**2016 £'000 As restated**
Profit on ordinary activities before tax	20,319	57,316
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2016: 20.00%)	4,013	11,463
Effect of:		
Group dividends received	(3,358)	(2,600)
Adjustments in respect of prior period	(17)	-
Total tax charge for the year	638	8,863

5. Tax on profit on ordinary activities (continued)

The standard rate of corporation tax used in the current reporting year (19.75%) has reduced from the previous year (20.00%) since the main rate of UK corporation tax reduced from 20.00% to 19.00% with effect from 1 April 2017.

The main rate of corporation tax in the UK will reduce from 19.00% to 17.00% effective from 1 April 2020. The impact on the value of deferred tax assets is recognised in the above table.

6. Dividends paid

The Directors elected to pay interim dividends totalling £15,001,000 (2016: £30,006,000) to the parent company SI Holdings Limited.

7. Investments

The Company holds the undernoted investment in its subsidiary incorporated in the UK:

Name of company and registered address	Nature of business	Description of shares held	% held	2017 £'000	2016 £'000
First State Investments International Ltd 23 St Andrew Square, Edinburgh, EH2 1BB, Scotland	Fund Manager	Ordinary £1	100	2,750	2,750

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

The Company is exempt from producing consolidated financial statements under section 401 of the Companies Act 2006.

8. Debtors

	2017 £'000	2016 £'000 As Restated
Trade debtors	905	1,182
Amounts owed by group undertakings	65,026	41,772
Corporation tax and Group relief receivable	14,750	7,443
Other debtors	230	174
Prepayments and accrued income	2,557	3,215
	83,468	53,786

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The amount £14,750,000 of Corporation tax and Group relief receiveable represents the refund due from HMRC of £2,431,000 in respect of 2016 plus £11,427,000 due from other group companies in respect of 2016 and the change in accounting policy in the year. Finally for 2017, tax payments made to date exceed the tax charge by £892,000.

For details of the prior year restatement please refer to note 16.

9. Deferred tax asset

	2017 £'000	2016 £'000
Deferred tax asset at start of the year	1	-
Deferred tax credit in profit and loss (note 5)	-	1
Deferred tax asset at end of year	1	1
Deferred tax is provided at 19.00% (2016: 20.00%) as follows:		
Adjustments in respect of previous years	1	1
	1	1

The deferred tax asset is in respect of accelerated capital allowances.

10. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amounts owed to group undertakings	42,029	59,358
Other taxation and social security	395	375
Accruals and deferred income	371	1,341
	42,795	61,074

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

11. Called up share capital

	2017 £'000	2016 £'000
Authorised, allotted and fully paid:		
98,016 (2016: 98,016) 'A' Ordinary shares of £1	98	98
34,158,293 (2016: 34,158,293) 'B' Ordinary shares of £1	34,158	34,158
	34,256	34,256

The 'A' shares carry the right to receive the first £100,000 distributed per financial year by way of dividend. Any remaining balance to be distributed shall be distributed amongst the 'A' and 'B' shares *pari passu* according 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.

12. Reconciliation of shareholders' funds and movement on reserves

	Called Up Share Capital £'000	Profit and loss account £'000 As restated	Total Shareholders Funds £'000 As restated
At 1 July 2015	34,256	(13,818)	20,438
Retained profit for the financial year	-	48,453	48,453
Dividends paid	-	(30,006)	(30,006)
At 1 July 2016	34,256	4,629	38,885
Retained profit for the financial year	-	19,681	19,681
Dividends paid	-	(15,001)	(15,001)
At 30 June 2017	34,256	9,309	43,565

For details of the prior year restatement please refer to note 16.

13. Related party disclosures

Under FRS 102 1.12 - Related Party Disclosures, the Company is exempt from the requirement to disclose transactions with any other company in the CBA group.

14. Contingent liability

On 28 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. Investment trust companies are thus able to claim for a refund of VAT previously charged to them by the Company to the extent that they have not already recovered such VAT. This is applicable for the distinct time periods as determined by case law that the Company can itself reclaim VAT previously paid on to HMRC.

Repayments have been secured for investment trust clients for the years 1990 to 1996 and 2001 to 2007 and the amounts received passed on to those entities. Appropriate claims and appeals have also been lodged in respect of the intervening 1996 to 2001 period.

The question of VAT exemption being extended to pension fund clients is currently being considered in the Courts. Appropriate protective claims have thus been made in respect of current and previous pension fund clients. In addition, protective claims and appeals have been lodged in case VAT exemption extends to certain other client types in the future. The Company's position is that it will only repay to any client amounts to the extent that they can be reclaimed by the Company itself from HMRC.

The scope of the VAT exemption as it applies to pension fund clients has yet to be determined by the Courts. The Company's objective remains to keep all protective claims active until the outcome in the Courts is fully known in order to protect our clients' interests.

The total value of all outstanding protective claims as at 30 June 2017 amounted to £21,706,000 (30 June 2016: £11,923,000).

Whilst it is also possible that the Company may incur some professional advisor fees as a result of the reclaims, the Directors do not expect a material liability to arise.

15 Ultimate parent company

The immediate parent undertaking is SI Holdings Limited.

The ultimate parent undertaking and controlling party is CBA, which is the parent undertaking of the smallest and the largest group to consolidate these financial statements. Copies of CBA consolidated financial statements can be obtained from: Ground Floor, Tower 1, 201 Sussex Street, Sydney NSW 2000, Australia or from the following website: www.commbank.com.au.

16. Prior year restatement

During the year there was a change in the accounting treatment for Long Term Incentive Plans ("LTIP") awarded to certain individuals within the organisation within the EMEA Groups' employing Company First State Investment Services (UK) Limited ("FSIS").

The LTIP Scheme operates in such a way that a profit "pool" is calculated in the year of award. This pool is then held for the next 3 years in an Employee Benefit Trust ("EBT") before vesting to beneficiaries.

Previously the expense relating to these awards was amortised over the four year lifetime of the award (i.e. the year of award and the 3 years of vesting within the EBT).

The change in accounting policy in the year was made to more closely align the LTIP expense with the revenue generation from which it is derived and the fact that there was no recourse to the Group should the awards be forfeited by the beneficiaries.

Following the change the LTIP expense is now no longer being amortised over four years, but recognised immediately in the year of award.

As FSIS recharges a portion of it expenses to the company, this change had the following effect on the 2016 financial statements:

Decrease opening P&L reserves by £44,442,000
Increase revenue by £585,000
Decrease administration expenses by £1,929,000
Increase tax expense by £503,000
Increase receivables by £7,965,000
Increase creditors by £50,396,000

Had this years' financial statement been prepared under the prior basis the effect on the Financial Statements would have been to :

Decrease operating profit by £10,831,000
Decrease tax charge by £2,139,000

Increase Intercompany payables by £10,831,000
Increase Taxation receiveable by £2,139,000