

DIRECTORS' REPORT AND ACCOUNTS

COLONIAL FIRST STATE FUND MANAGERS (UK) LIMITED
(Formerly Colonial Unit Trusts (UK) Limited)

31 DECEMBER 1998

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**Report of the Auditors KPMG Audit Plc
To the Members of Colonial First State Fund Managers (UK) Limited
(Formerly Colonial Unit Trusts (UK) Limited)**

We have audited the financial statements on pages 6 to 11.

Respective Responsibilities of Directors and Auditors

As described on page 3, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with 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 consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**KPMG Audit Plc
Chartered Accountants
Registered Auditor**

**8 Salisbury Square
London
EC4Y 8BB**

17 February 1999

COLONIAL FIRST STATE FUND MANAGERS (UK) LIMITED
(Formerly Colonial Unit Trusts (UK) Limited)

Profit and Loss Account
For the Year Ended 31 December 1998

	Note	1998 £'000	1997 £'000
Turnover	2	116,452	4,746
Administrative expenses		<u>(116,438)</u>	<u>(4,738)</u>
Operating profit	3	14	8
Interest receivable and similar income	4	94	47
Interest payable and similar charges	4	<u>(58)</u>	<u>(39)</u>
Profit on ordinary activities before taxation		50	16
Tax charge on profit on ordinary activities	5	<u>(15)</u>	<u>(5)</u>
Retained profit for year	12	<u>35</u>	<u>11</u>

The Company has no recognised gains or losses other than those stated above.

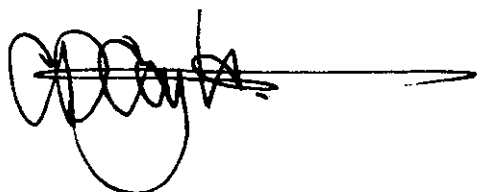
The results for the year arise from continuing activities.

COLONIAL FIRST STATE FUND MANAGERS (UK) LIMITED
(Formerly Colonial Unit Trusts (UK) Limited)

Balance Sheet as at 31 December 1998

		1998	1997
	Note	£'000	£'000
Current assets			
Stock of units		129	119
Debtors	8	1,244	547
Investments	9	770	650
Cash at bank and in hand		655	1,150
		<u>2,798</u>	<u>2,466</u>
Creditors: amounts falling due within one year	10	<u>(1,927)</u>	<u>(1,630)</u>
Net assets		<u>871</u>	<u>836</u>
Capital and reserves			
Share capital attributable to equity interests	11	1,000	1,000
Profit and loss account	12	<u>(129)</u>	<u>(164)</u>
Equity shareholders' funds	12	<u>871</u>	<u>836</u>

The financial statements on pages 6 to 11 were approved by the Board of Directors on 17 February 1999 and were signed on its behalf by:



C D Coyle
 Director
 17 February 1999

COLONIAL FIRST STATE FUND MANAGERS (UK) LIMITED
(Formerly Colonial Unit Trusts (UK) Limited)

Notes to the Accounts for the Year Ended 31 December 1998

1. Accounting policies

(a) Accounting convention

The accounts are prepared under the historical cost convention and applicable accounting standards.

The Company has relied on the exemption given in Financial Reporting Standard 1 (revised 1996) not to disclose a cash flow statement as the consolidated financial statements are publicly available.

The Company has relied on the exemption given in Financial Reporting Standard 8 not to disclose transactions with entities that are part of the group and qualify as related parties, on the grounds that its voting rights are more than 90% controlled within the group and the parent undertaking publishes consolidated financial statements which include the accounts of the Company.

(b) Deferred taxation

Deferred taxation is provided for, under the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that tax will be payable.

(c) Units held for resale

Units held by the Company pending resale or cancellation are valued at the lower of cost and cancellation price at the balance sheet date.

2. Turnover

Turnover comprises gross earnings from the management of unit trusts, including the net surplus arising from the purchase and resale of units.

3. Operating profit

Operating profit is stated after charging:

	1998	1997
	£'000	£'000
Auditors' remuneration: Audit work	8	5
Non-audit work	8	17
(Payable to auditors and it's associates)	<hr/>	<hr/>

COLONIAL FIRST STATE FUND MANAGERS (UK) LIMITED
(Formerly Colonial Unit Trusts (UK) Limited)

Notes to the Accounts for the Year Ended 31 December 1998

4. Interest receivable and payable

	1998	1997
	£'000	£'000
Interest receivable		
Interest from cash on deposit	73	11
Interest from local authority deposits	21	36
	<u>94</u>	<u>47</u>
Interest payable		
Interest on loan from parent undertaking	54	4
Interest on loan from fellow subsidiary undertaking	4	35
	<u>58</u>	<u>39</u>

5. Taxation

	1998	1997
	£'000	£'000
Group relief payable	<u>15</u>	<u>5</u>

6. Staff numbers and costs

The Company employs no staff. Day to day administration and operations are carried out by Colonial Financial Services (UK) Limited, which acts as an appointed representative for the Company under FSA 1986, which employs all group staff. Until 31 December 1998, investment management of the Company's unit trusts was provided by secondment of staff from Colonial Financial Services (UK) Limited. With effect from that date the investment management was contracted to Colonial First State Investment Managers (UK) Limited.

7. Directors' remuneration

None of the Directors received any emoluments during the year in respect of their services to the Company (1997 - £nil).

COLONIAL FIRST STATE FUND MANAGERS (UK) LIMITED
(Formerly Colonial Unit Trusts (UK) Limited)

Notes to the Accounts for the Year Ended 31 December 1998

8. Debtors

	1998	1997
	£'000	£'000
Trade debtors	1,044	244
Amounts owed from fellow subsidiary undertakings	-	115
Prepayments and accrued income	200	188
	<u>1,244</u>	<u>547</u>

9. Investments

	1998	1997
	£'000	£'000
Short term deposits	770	-
Local authority deposits	-	650
	<u>770</u>	<u>650</u>

10. Creditors: amounts falling due within one year

	1998	1997
	£'000	£'000
Trade creditors	26	57
Amounts owed to Trustees for the liquidation of units	781	185
Amounts owed to parent undertaking	740	582
Amounts owed to fellow subsidiary undertakings	255	685
Group relief payable	20	5
Other creditors including tax and social security	105	116
	<u>1,927</u>	<u>1,630</u>

COLONIAL FIRST STATE FUND MANAGERS (UK) LIMITED
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Notes to the Accounts for the Year Ended 31 December 1998

11. Share capital

	1998	1997
	£'000	£'000
Authorised:		
Ordinary shares of £1 each	1,000	1,000
Allotted, issued, fully paid and called up:		
Ordinary shares of £1 each	1,000	1,000

12. Reconciliation of shareholders' funds

	Share Capital	Profit & Loss Account	Total
	£'000	£'000	£'000
At 1 January 1997	1,000	(175)	825
Profit for the year	-	11	11
At 1 January 1998	1,000	(164)	836
Profit for the year	-	35	35
At 31 December 1998	1,000	(129)	871

13. Parent undertakings

On 16 December 1998 the entire issued share capital of the Company was transferred by Colonial (UK) Limited to Colonial First State Investment Managers (UK) Limited (CFSI).

Colonial (UK) Limited is the parent undertaking of CFSI which heads the smallest higher group of undertakings for which group accounts are drawn up.

Copies of the Colonial (UK) Limited consolidated accounts can be obtained from Colonial House, Quayside, Chatham Maritime, Kent, ME4 4YY.

Colonial Limited, a company incorporated in Victoria, Australia, is the ultimate parent company, it is also the parent undertaking of the largest group to consolidate the accounts of the Company.

Copies of the accounts of Colonial Limited can be obtained from 330 Collins Street, Melbourne, Victoria 3000, Australia.