

First State Investments (UK) Limited

REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

REGISTERED NUMBER 02294743

MONDAY



A9GZ4YLT

A09

02/11/2020

#191

COMPANIES HOUSE

First State Investments (UK) Limited

Report and Financial Statements for the Period Ended 31 December 2019

Contents	Pages
Report of the Directors	1-3
Strategic Report	4-9
Independent Auditors' Report	10-12
Statement of Income and Retained Earnings	13
Balance Sheet	14
Notes to the Financial Statements	15-19

First State Investments (UK) Limited

Report of the Directors for the Period Ended 31 December 2019

The Directors present their report and the audited financial statements of First State Investments (UK) Limited ("the Company") for the period ended 31 December.

The financial period end of the Company was changed from 30 June to 31 December during the period. Accordingly, the current financial statements are prepared for 6 months from 1 July 2019 to 31 December 2019 and as a result, the comparative figures stated in the Statement of Income and Retained Earnings and related notes are not directly comparable.

The Directors have chosen, in accordance with section 414C (11) of the Companies Act 2006, to set out in the Company's Strategic Report information required to be contained in the Report of the Directors.

Registered Office Address

Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB

Principal Activity

The Company is a private company limited by shares and is incorporated in England, United Kingdom.

The principal activity of the Company is the management of an Open Ended Investment Company, First State Investments ICVC ("OEIC") with 22 sub-funds. The Company is the Authorised Corporate Director ("ACD") of the OEIC. The Company is an Alternative Investment Fund Manager and also an Individual Savings Account manager.

Directors

The Directors of the Company who held office during the period and up to the date of signing the financial statements were as follows:

- A Hilderly
- C F Johnson*
- V W C Kubitscheck*
- C R S Turpin
- R C Wastcoat*
- C Wood (appointed 5 December 2019)
- T Yodaiken (appointed 5 December 2019)

*denotes Independent Non-Executive Director.

Company Secretary

R Sheppard held office as a Secretary during the period and up to the date of this report.

Directors and their Interests

The Directors of the Company during the period 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 the FSI companies in the UK (the "FSI UK Group") in respect of potential liabilities arising from negligence or error.

First State Investments (UK) Limited

Report of the Directors for the Period Ended 31 December 2019

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 period. 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.

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;
- 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.

Matters to which Directors have regard when fulfilling their duties under Section 172 of the Companies Act 2006 are outlined in the Company's Strategic Report.

Equal Opportunities

FSI is committed to equal opportunities at work and in the service it provides. It is the Company's policy not to discriminate against staff on the basis of their protected characteristics, which includes disability. FSI aims to create the conditions where the FSI Group's employees are treated on the basis of their relative merits, abilities and potential, regardless of any protected characteristics. The Company takes every possible step to make sure employees are treated equally and fairly. The FSI Group aims to treat all employees equally and not discriminate against them:

- during the selection and recruitment process;
- during the course of their employment; and
- after employment

First State Investments (UK) Limited

Report of the Directors for the Period Ended 31 December 2019

Employee Engagement and Business Relationships

The Section 172 Statement within the Company's Strategic Report provides statements that summarise:

- a) how Directors have engaged with the FSI Group's employees,
- b) how Directors have had regard to employee interests, and
- c) how Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others.

For items b) and c) above, any effect of that regard, including on the principal decisions taken by the Company during the financial year, are also disclosed.

Disclosure of Information to Independent Auditors

In the case of each of the Directors in office at the date the Report of the Directors is approved, 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 independent auditors, Deloitte LLP, were appointed during the period and have indicated their willingness to continue in office. The previous auditors, PricewaterhouseCoopers LLP ("PwC"), resigned during the period.

On behalf of the Board



C R S Turpin
Director
London

Date: 18/3/2020

First State Investments (UK) Limited

Strategic Report for the Period Ended 31 December 2019

Company Structure and Purpose

The Company is part of the international operations of First Sentier Investors Group ("FSI Group") which is headquartered in Sydney, Australia. First Sentier Investors was previously known as Colonial First State Global Asset Management ("CFSGAM") in Australia.

First Sentier Investors was acquired by Mitsubishi UFJ Trust and Banking Corporation, a wholly owned subsidiary of Mitsubishi UFJ Financial Group, Inc. (MUFG) on 2 August 2019.

First Sentier Investors operates as standalone global asset management business within the MUFG group and is governed by a Board comprising representatives from First Sentier Investors and MUFG. The FSI Group provides a range of specialist investment management services. The core areas of investment expertise cover Listed Equities, Fixed Income and Direct Infrastructure.

The FSI Group houses a number of different investment teams that offer a variety of strategies across each of these asset classes for different client types operating within a common set of client-centric value and standards. These investment teams retain complete investment autonomy to make decisions on investment philosophy, process and fund capacity – an important feature of FSI's growth and performance.

The FSI Group's clients range from institutional investors such as defined benefit pension funds and sovereign wealth funds, to retail investors whose assets are usually aggregated by intermediaries. As at 31 December 2019, the FSI Group collectively managed A\$229bn (30 June 2019: A\$223bn) in assets under management ("AUM") across all client types and asset classes.

The Group's distribution activities are performed throughout Europe with offices in United Kingdom, Republic of Ireland, Germany and France.

Strategy Update

The Company's strategic goals operate over a three to five year horizon and are in line with that of the global FSI Group. The five pillars of this are to:

- Deliver on our commitments to clients;
- Identify and invest in sustainable, profitable growth opportunities that meet our client's needs now and in the future;
- Expand and enhance our client experience;
- Improve operational efficiency across the organisation; and
- Attract and retain high performing teams.

During the six months ended 31 December 2019, the Company continued to develop successfully and in line with the key goals outlined above.

Key Performance Indicators

The key performance indicators of the FSI UK Group, for which the Company is a member include:

Financial Performance

Revenue

Expenses

Operating profit

Operating capital and, if appropriate, regulatory capital

Business Performance

Revenue diversification by asset class, client channel and geography

Average funds under management

Percentage of funds outperforming 3 and 5 year benchmarks

First State Investments (UK) Limited

Strategic Report for the Period Ended 31 December 2019

Key Performance Indicators (continued)

These key performance indicators, supported by relevant analytical review and/or variance analysis, are provided to the Board of Directors on a quarterly basis for review and monitoring.

Review of Business, Risks and Uncertainties Future Developments

The principal risk to the level of profitability of the Company is the event of a market correction or a sustained period of underperformance that leads to a significant decrease in AUM and ultimately revenue and shareholder confidence. The particular long term investment style of the Company's investment management professionals should protect its revenue and its customers' investments should any market correction materialise. The business is also exposed to key staff risk associated with investment teams and key management staff. The Directors are of the opinion that, whilst a level of residual key staff risk will always exist for the Company, this has been mitigated as far as possible by, amongst other things, succession planning, the use of long term incentive schemes and maintaining a high integrity, high performance culture.

These, and all other material risks relevant for the Company have been assessed and reported in the Company's Internal Capital Adequacy Assessment Process ("ICAAP").

During the period, the Company has continued to apply a significant amount of resources to ensure the firm maintains compliance with a large volume of regulatory reforms impacting the entire industry. Where required, project teams have been established to implement the reforms and several projects have been closed successfully whilst those in planning and/or execution phase are well advanced and on track to meet their objectives.

The Company also implemented various initiatives and change requirements associated with the change of ownership of the Company to MUFG which included; the development of a new employee pension scheme, the implementation of employee retention and incentive schemes and enhanced client communications. It is expected that in line with the global rebrand of the FSI Group, the Company will change its name to incorporate the 'First Sentier Investors' brand during the course of 2020.

During the period, the Company continued to implement its response to the proposed departure of the United Kingdom from the European Union ('EU'), commonly referred to as "Brexit". The Company compiled a Brexit strategy to ensure continuity of business operations within the EU member states and access to EU domiciled clients, regardless of the outcome of Brexit negotiations. This broadly covered two major streams of activities:

1. establishing a new EU management company domiciled in Dublin, Ireland. This new entity, First State Investments (Ireland) Limited, was established in February 2019 and received regulatory permissions from the Central Bank of Ireland ('CBI') to commence Alternative Investment Fund Manager ('AIFM') activities on 2 September 2019; and
2. the transfer of EU domiciled retail/wholesale client assets from the OEIC platform (which is a UK platform) to the Variable Capital Company ("VCC") platform (which is an EU (Irish) platform). This transfer was conducted by a Scheme of Arrangement completing in February 2019 and resulted in a shift of €2.6bn of client assets.

Both streams have completed successfully and management considers that the Company is now well prepared for the most likely range of Brexit outcomes as well as developing a platform for strategic growth opportunities in the future.

Under the Alternative Investment Fund Management Directive ("AIFMD"), the Company undertakes risk management responsibilities for relevant contracts as a designated Alternative Investment Fund Manager ("AIFM") for the EMEA region. Consequently, a portion of management fees relating to these products are retained within the Company as compensation for the risk services.

Review of Business, Risks and Uncertainties, and Future Developments (continued)

Since the end of the financial period the FSI Group has had to respond to the outbreak of the COVID-19 virus, which has affected many countries around the globe, including countries in which the FSI Group operates and countries in which the FSI Group invests on behalf of our clients. The FSI Group is closely monitoring the developments and the implications of the spread of the COVID-19 virus, the advice from health and government authorities and the World Health Organisation, as well as taking advice from our external advisers on international security (International SOS).

FSI is aware that the spread of the COVID-19 virus and the actions taken by Governments, businesses and communities around the globe in response, may have a significant impact on both supply and demand for products and services and may impact the investment portfolios the FSI Group manages on behalf of our clients.

FSI has established a COVID-19 planning group tasked with monitoring and advising the business on the developments in the spread of the COVID-19 virus and the implications for our staff, clients and how we operate our business during this time. The FSI Group will make adjustments to how the business operates during this time with the aim of continuing to provide expert services to our clients whilst minimising the risk of the outbreak of the COVID-19 virus to our staff, our clients and the society in which we operate.

Company activities

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

Section 172 Statement

Section 172 of the Companies Act 2006 imposes a general duty on every director to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so, have regard to various other matters designed to ensure that boards consider interests of other relevant stakeholders. These matters include:

- The likely consequences of any decision in the long term
- The interests of the FSI Group's employees
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards of business conduct, and
- The need to act fairly as between members of the company

The Directors of the Company, as part of the global First Sentier Investors / First State Investments Group ('FSI'), share a purpose to deliver sustainable investment success for the benefit of clients, employees, society and the shareholder.

A long term focus

Aligning to the long-term focus of the Company's investment philosophy for clients, the Company's strategy provides a medium to long-term framework for the organisation to align corporate resources, within risk appetite parameters, to focus activities to achieve strategic priorities.

The Directors of the company discuss, challenge and ultimately approve the EMEA strategy across a three to five year horizon at least annually. The strategy aligns to that of the global FSI corporate strategy and is client-centric, complements profitable growth activities, and therefore becomes measurable over these time horizons.

The five pillars of the Company's strategic goals over the next three to five years are outlined on page 4 above.

Certain decisions made by the Board with regards to initiatives outlined in the Strategic Report (e.g. Brexit) were also made with the focus on the longer term benefits for the Company.

Section 172 Statement (continued)

A long term focus (continued)

Relevant Matters Considered by Directors during the period

- Discussion, challenge and review of three to five year strategic plan of the Company
- Discussion, challenge and review of the Company's three year capital plan
- The development of the Company's Brexit strategy to ensure long term relationships with existing and prospective European based clients are maintained
- Decisions around various product initiatives undertaken during the period to ensure a continued level of relevance and appropriateness for clients
- Discussion of regulatory change and horizon scanning updates to ensure the firm is well prepared to implement any future change as it arises

Employees are the key to success

The Directors consider the employees of the FSI Group to be a key success factor for the Company and this success is contingent on developing and maintaining an environment that creates and develops a diverse, high integrity, high performance culture. FSI seeks to attract and nurture talented individuals to support the success of its strategic goals. FSI has embedded effective retention and succession planning initiatives to further enhance the culture of long-term partnerships.

Furthermore, the Directors firmly believe that FSI's strategy to encourage and develop 'diversity of thought' in all its forms contributes to better decision-making in both investing for our clients and in the management of our business. The Board regularly receives reports and discuss wide ranging matters regarding the FSI Group's employee composition and progress on FSI's diversity initiatives and outcomes.

Relevant Matters Considered by Directors during the period

- Employee pension scheme changes and communications resulting from change of control of the Company
- Consideration of annual gender pay gap reporting; assessing outcomes and discussion into the Company's response
- Staff Rewards and benefit schemes enhancements and updates
- Learning and Development and diversity programme updates
- Updates on key staff hires, changes and team developments

Acting at all times in clients' best interests and in partnership with suppliers and others

The Company's purpose and values are founded in delivering on the commitment to being the best stewards for clients' assets. Directors have a legal, regulatory and ethical obligation to ensure clients' interests are protected as the highest priority to ensure clients continued confidence and trust in the firm and its investment capabilities. Long term client relationships are developed and investment managers are aligned with the outcomes they deliver for clients.

The Company engages with suppliers with a mindset of partnership and mutual respect. The Company has outsourced numerous core activities to third party suppliers and by doing so the Director's receive, where appropriate, various reports and insights to ensure proper governance and oversight of these outsourced functions are fulfilled.

The company also publishes half yearly statistics on payment arrangements and outcomes with its suppliers.

Section 172 Statement (continued)

Acting at all times in clients' best interests and in partnership with suppliers and others (continued)

Relevant Matters Considered by Directors during the period

- Regular client distribution updates and insights to keep abreast of changing client behaviours and requirements
- Discussion and assessment of the impact to clients for all Company initiatives and decisions
- Various product initiatives to ensure a continued level of relevance and appropriateness for clients
- Attending staff workshops and providing input to the firm's response to the upcoming Financial Conduct Authority ("FCA") 'Assessment of Value' which requires authorised fund managers to assess the value for money of each fund
- Quarterly review of key supplier performance and service levels. Key suppliers also present in person to the Board where relevant to enable two-way open dialogue

FSI and the Environment and Community

The Company is a responsible business in that the interests of all stakeholders are considered in both the stewardship of our clients' assets and in the management of the business and the culture which underpins it. The firm sees business value in its support and adoption of the highest international standards and codes of corporate responsibility practice.

The Company seeks to minimise its direct environmental and social impacts as well as those of investee companies through its investment activities. The Company also expects its service suppliers to uphold the highest standards of corporate conduct and ethical business behaviour and through its charitable foundations, the Company provides both financial and other resources to support a number of community and environmental projects and programmes.

FSI is a founding member of the Cambridge University – Investment Leaders Group, part of the world renowned Cambridge Institute for Sustainability Leadership and since 2007 has been signatories to the United Nation's Principles for Responsible Investment (also referred to as PRI) and have had group-wide stewardship principles in place since 2013.

The FSI Group actively supports employees who want to give time and support to their communities. The Company has a charitable foundation in place, First Foundation, which is employee driven, encouraging staff to give back to their local communities. Charities are selected and contributions are made based on the nominations of employees. Staff are provided with time out to volunteer and any donations they make to the First Foundation charities are matched by the Company.

Relevant Matters Considered by Directors during the period

- Updates from the Responsible Investments Steering Group ("the RI Group") which oversees the RI strategy and progress of the Group
- Updates on the Company's investment team approaches and client interactions as they pertain to responsible investment and sustainability
- Regulatory change and horizon scanning updates to ensure the firm is well prepared to implement and change as it arises
- Updates on current and prospective community outreach programmes conducted via the First Foundation
- Staff placements through the 'Investment 2020' industry scheme which was established to bring more diverse talent into all aspects of investment management

Highest Standards of Integrity and Conduct

FSI is regulated by the FCA and its permission to operate is conditional on appropriate expectations and standards of conduct. Conduct risk is considered by the Board in its capital planning and management program. To ensure this risk is controlled and mitigated appropriately the Board oversee a comprehensive program of regulatory compliance that is focussed on the protection of clients' interests and that of the broader industry and community.

First State Investments (UK) Limited

Strategic Report for the Period Ended 31 December 2019

Section 172 Statement (continued)

Highest Standards of Integrity and Conduct (continued).

The Company places clients' interests at the core of the business, with a clear focus on earning and maintaining their confidence in its investment capabilities and operations. The Company strives for the highest degree of transparency and accountability and places strong emphasis on the values of honesty and integrity. Whilst conducting their duties Directors, through their stewardship of the Company, consider that conduct of the highest integrity should not exist simply for the purpose of fulfilling regulatory obligations but as a prerequisite for the long term success of the organisation. These standards apply in the way the FSI engages with all its stakeholders which includes clients, suppliers, staff, regulators as well as its ultimate parent company.

Relevant Matters Considered by Directors during the period

- Oversee the implementation of the Senior Managers Certification Regime ('SMCR') by the Company which is a regulatory initiative designed to increase focus on corporate accountability and raise standards of professional behaviour
- Discussion and input into conduct risk as part of the Company's annual internal risk assessment
- The restructure of the firm's Committee structures to ensure comprehensive and effective delegation of communication and accountability in the Company
- Updates on employee workshops being conducted to support a refresh of the Company's corporate values in line with the change of control of the Company
- Consider regulatory change and horizon scanning updates to ensure the firm is well prepared to implement any change as it arises

Going Concern

On the basis of their assessment of the activities of the Company, together with its current financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis of accounting in the preparation of the annual financial statements.

Results and Dividends

The profit for the period after taxation was £245,000 (30 June 2019: £687,000). The Directors do not recommend the payment of a final dividend (30 June 2019: Nil). There was no interim dividend paid during the period (30 June 2019: Nil).

The balance of profits retained on the Statement of Income and Retained Earnings was £9,759,000 (30 June 2019: £9,514,000).

On behalf of the Board



C R S Turpin
Director
London

Date: 18/3/2020

First State Investments (UK) Limited

Independent Auditors' Report to the Members of First State Investments (UK) Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of First State Investments (UK) Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of income and retained earnings;
- the balance sheet; and
- the related notes 1 to 13.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

First State Investments (UK) Limited

Independent Auditors' Report to the Members of First State Investments (UK) Limited

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and report of the directors for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and report of the directors.

First State Investments (UK) Limited

Independent Auditors' Report to the Members of First State Investments (UK) Limited

Matters on which we are required to report by exception

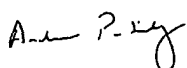
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.



Andrew Partridge CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom

Date: 18 March 2020

First State Investments (UK) Limited

Statement of Income and Retained Earnings for the Period Ended 31 December 2019

		1 July 2019 to 31 December 2019	As Restated 1 July 2018 to 30 June 2019
	Note	£'000	£'000
Revenue	2	40,710	89,795
Administrative expenses		(40,424)	(88,946)*
Operating profit	3	286	849
Interest receivable and similar income		16	-*
Profit before taxation		302	849
Tax on profit	4	(57)	(162)
Profit after taxation		245	687
Retained earnings at the end of the period:			
Retained earnings at beginning of the period		9,514	8,827
Profit after taxation		245	687
Retained earnings at the end of the period		9,759	9,514

*Refer to Note 13 in respect of prior period restatement

There were no material acquisitions or discontinued operations during either period.

First State Investments (UK) Limited
Balance Sheet as at 31 December 2019

		31 December 2019	30 June 2019
	Note	£'000	£'000
Assets			
Current assets			
Investments	5	35	33
Debtors	7	76,346	155,885
Cash at bank and in hand		26,647	9,161
Total current assets		103,028	165,079
Creditors: amounts falling due within one year	8	(91,269)	(153,565)
Net current assets		11,759	11,514
Net assets		11,759	11,514
Capital and reserves			
Called up share capital	9	2,000	2,000
Retained earnings	10	9,759	9,514
Total shareholder's funds	10	11,759	11,514

Company Registration Number:

The financial statements and notes on pages 15 to 19 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:



C R S Turpin
Director

Date: 18/3/2020

First State Investments (UK) Limited

Notes to the Financial Statements for the Period Ended 31 December 2019

1. General information and accounting policies

General information

The Company is a wholly owned subsidiary of Colonial First State Investment Managers (UK) Limited. The Company is regulated by the Financial Conduct Authority ("FCA").

As at 31 December 2019, the Company's ultimate parent company is MUFG. MUFG is one of the world's leading financial groups.

On 2 August 2019, CFSGAM announced the completion of its sale from CBA to MUTB, a wholly owned subsidiary of MUFG. CFSGAM subsequently re-branded to First Sentier Investors from 16 September 2019 in Australia and it is anticipated that the First Sentier Investors brand will be adopted by the Company as part of a global brand roll out during the course of 2020.

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 utilising the reduced disclosure exemptions in section FRS 102 1.12 from presenting a cash flow statement and certain related party disclosures.

Change in reporting period

The financial period end of the Company was changed from 30 June to 31 December during the period. Accordingly, the current financial statements are prepared for 6 months from 1 July 2019 to 31 December 2019 and as a result, the comparative figures stated in the Statement of Income and Retained Earnings and related notes are not directly comparable.

Principal accounting policies

A summary of the accounting policies, which have been applied consistently, is set out below. There are no significant judgements or management estimates.

(a) Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the recognition of the current assets investments measured at fair value, as noted below. The principal accounting policies which have been applied consistently throughout both periods 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 will be included in the consolidated financial statements of its ultimate parent, MUFG, as at 31 March 2020.

(b) Revenue

Revenue recognition is based on the benefits to the Company of any income flows which can be reliably determined. All 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, during the period in which the services are performed. Such fees are primarily based on predetermined percentages of the value of AUM and are presented net of rebates and allocations made in accordance with the transfer pricing policy.

Upfront fees less applicable discounts are generated from the trading activities of the OEIC and are recognised at the time of trading by investors.

The Company acts as principal in the sale of shares in OEIC sub-funds, although it is in substance acting as an agent as investment management is sub-delegated to First State Investment Management (UK) Limited ("FSIM"). Sales and repurchases of shares in OEIC sub-funds are presented net, in accordance with FRS 102 paragraph 23.

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

First State Investments (UK) Limited

Notes to the Financial Statements for the Period Ended 31 December 2019

1. General information and accounting policies (continued)

(c) Administrative expenses

Administrative expenses are recognised in the period in which they are incurred and include amounts recharged from another group companies together with investment advisory fees payable to other group companies.

(d) Taxation

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

(e) Shareholdings in sub-funds

Shares held in the sub-funds of the OEIC for investment purposes are carried at fair value based on quoted prices, with any gains or losses on those investments taken to the Statement of Income and Retained Earnings.

(f) Foreign currencies

Income and expenses are recorded at the exchange rate on the date of invoice 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 included in the Statement of Income and Retained Earnings.

(g) Cash flow statement

As at 31 December 2019, the Company was a wholly owned subsidiary of MUFG and the cash flows of the Company are included in the consolidated group cash flow statement of MUFG and forms part of MUFG's financial statements. Therefore, the Company utilises an exemption (FRS 102 1.12) from preparation of a statement of cash flows.

(h) Employees

There are no employees of the Company (30 June 2019: nil). The management and administration are undertaken by employees of another group company, First State Investment Services (UK) Limited ("FSIS").

(i) Debtors

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

(j) Creditors

Creditors are measured at the transaction price.

2. Revenue

	1 July to 31 December 2019 £'000	1 July 2018 to 30 June 2019 £'000
Revenue comprises:		
Management fees	74,799	162,204
Fees paid to group undertakings	(34,091)	(72,478)
Commissions received	2	69
Total revenue	40,710	89,795

First State Investments (UK) Limited

Notes to the Financial Statements for the Period Ended 31 December 2019

3. Operating profit

	1 July to 31 December 2019 £'000	As Restated 1 July 2018 to 30 June 2019 £'000
Operating profit is stated after charging/(crediting):		
Fees payable to auditors for audit of Company's financial statements - PwC	-	162
Fees payable to auditor for taxation services - PwC	-	2
Fees payable to auditors for audit of Company's financial statements - Deloitte	38	-
Foreign exchange loss/(gain)	244	(703)*

*Refer to Note 13 in respect of prior period restatement

4. Tax on profit

	1 July to 31 December 2019 £'000	1 July 2018 to 30 June 2019 £'000
Current tax		
UK corporation tax on profits of the period	57	162
Total tax on profit	57	162

The corporation tax on the profit for the year is calculated at the standard rate applicable to the year of corporation tax in the UK of 19.00% (30 June 2019: 19.00%).

Reconciliation of total tax on profit

	1 July to 31 December 2019 £'000	1 July 2018 to 30 June 2019 £'000
Profit before taxation	302	849
Profit multiplied by standard rate of corporation tax in the UK of 19% (30 June 2019: 19%)	57	161
Effects of:		
Non-deductible expense	-	1
Total tax on profit	57	162

The main rate of corporation tax in the UK will reduce from 19.00% to 17.00% effective from 1 April 2020.

5. Investments

	December 2019 £'000	30 June 2019 £'000
Investments in OEIC funds	35	33

First State Investments (UK) Limited

Notes to the Financial Statements for the Period Ended 31 December 2019

6. Directors' emoluments

The Directors of the Company are also Directors of other fellow subsidiaries in the Group. Directors' emoluments are paid by FSIS, which makes no recharge to the Company as no executive Directors are remunerated for their services to the Company. Full details of Directors' remuneration are given in the financial statements of FSIS.

7. Debtors

	31 December 2019	30 June 2019
	£'000	£'000
Trade debtors	213	1,250
Amounts owed by group undertakings	2,034	64,733
OEIC receivables	60,555	75,748
Prepayments and accrued income	13,544	14,154
Total	76,346	155,885

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

8. Creditors: amounts falling due within one year

	31 December 2019	30 June 2019
	£'000	£'000
OEIC payables	60,345	76,241
Amounts owed to group undertakings	25,885	72,133
Corporation tax payable	219	263
Bank overdrafts	-	185
Accruals and deferred income	4,820	4,743
Total	91,269	153,565

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

9. Called up share capital

	31 December 2019	30 June 2019
	£'000	£'000
Authorised, allotted and fully paid:		
2,000,000 (30 June 2019: 2,000,000) ordinary shares of £1 each	2,000	2,000

10. Reconciliation of movement in shareholders' funds

	Called Up Share Capital	Retained Earnings	Total Shareholders' Funds
	£'000	£'000	£'000
At 1 July 2018	2,000	8,827	10,827
Profit for the period	-	687	687
At 1 July 2019	2,000	9,514	11,514
Profit for the period	-	245	245
At 31 December 2019	2,000	9,759	11,759

First State Investments (UK) Limited

Notes to the Financial Statements for the Period Ended 31 December 2019

11. Related party disclosures

Under FRS 102 33.1A - Related Party Disclosures, the Company is exempt from the requirement to disclose transactions with any other company in the MUFG group.

The Company acts as ACD of the OEIC. The OEIC is a related party within the definition of FRS 102 1.12. In payment for carrying out its duties and responsibilities as ACD, the Company is entitled to an annual management fee. The Company also holds investments in the sub-funds of the OEIC.

The aggregate total transactions by type and balances at the period-end are set out below.

	Recognised as revenue in the period to 31 December 2019 £'000	Outstanding at 31 December 2019 £'000	Recognised as revenue in the year to 30 June 2019 £'000	Outstanding at 30 June 2019 £'000
Accrued management fees*	72,632	11,638	157,638	11,905
Value of investments held	n/a	35	n/a	33

*The management fees disclosed in the table above are the gross fees received by the Company in relation to managing the ICVC. The revenue disclosed in the Statement of Income and Retained Earnings is expressed net of rebates.

12. Ultimate parent company

The immediate parent undertaking is Colonial First State Investment Managers (UK) Limited, a company incorporated in England, United Kingdom.

The ultimate parent undertaking and controlling party, as at 31 December 2019, is MUFG, which is the parent undertaking of the smallest and the largest group to consolidate these financial statements. Copies of MUFG consolidated financial statements can be obtained from:

7-1, Marunouchi 2-chome, Chida-ku, Tokyo 100-8330 Japan or from the following website www.mufg.jp

13. Prior period restatement

Following a review of the underlying nature of the transactions in the line item "interest receivable and similar income" in the Statement of Income and Retained Earnings, management consider that certain transactions should be classified as "administrative expenses". The transactions were in respect of foreign exchange on foreign currency balances in respect of banking transactions. All other foreign exchange transactions were captured in administrative expenses and management consider that the treatment of all foreign exchange transactions should be consistent

This change had no effect on the profit of the Company, but had the following reclassification effects on the 30 June 2019 Statement of Income and Retained Earnings:

Increase in administrative expenses by £318,000

Increase in interest receivable and similar income by £318,000