

MARTIN CURRIE INCORPORATED

Financial report and accounts
31 December 2006



SF000380



Martin Currie Incorporated

DIRECTORS' REPORT

Registered No BR002575

The directors submit their report and accounts for the year ended 31 December 2006

RESULTS

The profit for the year after taxation amounted to US\$5,328,839 (2005 profit of US\$2,970,663) A dividend of US\$4,434,000 was paid during the year (2005 US\$2,001,172) The directors do not recommend the payment of a final dividend

REVIEW OF THE BUSINESS

The company's principal activity continued to be investment management and no significant changes are presently foreseen The company is registered in the United States and is regulated by the FSA

DIRECTORS

The directors who served throughout the year were as follows

R M Campbell
J M A Fairweather
T J D Hall
W Madden (resigned 8 June 2006)
A D MacLeod
J M Sandison
M W Thomas
W G Watt
A Sowerby
E R Morgan (appointed 1 June 2006, resigned 1 February 2007)

DIRECTORS' INTERESTS

No director had any interest in the shares of the company

The interests of Messrs Campbell, Fairweather, Hall, MacLeod, Thomas, Watt and Sowerby in the share capital of Martin Currie Limited at 31 December 2006 are disclosed in the accounts of that company The interests of Messrs Sandison and Morgan in the share capital of Martin Currie Limited are disclosed in the accounts of Martin Currie Investment Management Limited

DISCLOSURE OF INFORMATION TO AUDITORS


In the case of each of the persons who are directors at the time when the directors' report is approved, the following applies

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

Ernst & Young LLP resigned as auditors on 29 September 2006 Deloitte & Touche LLP were appointed auditors on 8 November 2006 A resolution to reappoint Deloitte & Touche LLP as auditors will be proposed at the forthcoming Annual General Meeting

By order of the Board


K A C Swinley
Secretary

14 March 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), of the state of affairs of the company and of the profit or loss of the company for that year and comply with UK GAAP. In preparing those financial statements, the directors are required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent,
- (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- (d) 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. 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.

We have audited the financial statements of Martin Currie Incorporated for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with our letter of engagement dated 25 October 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.


Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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 2006 and of its profit for the year then ended and have been properly prepared, in accordance with United Kingdom Generally Accepted Accounting Practice.



Deloitte & Touche LLP
Chartered Accountants
Edinburgh, United Kingdom

14 March 2007

Martin Currie Incorporated**PROFIT AND LOSS ACCOUNT**
for the year ended 31 December 2006

	<i>Note</i>	<i>12 months to 31 Dec '06 US\$</i>	<i>15 months to 31 Dec '05 US\$</i>
TURNOVER continuing operations	2	22,498,641	16,707,611
Administrative Expenses		(14,179,496)	(11,756,888)
OPERATING PROFIT	3	8,319,145	4,950,723
Interest receivable		216,440	122,690
		8,535,585	5,073,413
Gain on disposal of investments	4		289,940
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,535,585	5,363,353
Tax on profit on ordinary activities	5	(3,206,746)	(2,392,690)
PROFIT FOR THE FINANCIAL YEAR	13	5,328,839	2,970,663

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of US\$5,328,839 in the year ended 31 December 2006 and profit of US\$2,970,663 in the period ended 31 December 2005

Martin Currie Incorporated

BALANCE SHEET as at 31 December 2006

	<i>Note</i>	<i>31 Dec '06 US\$</i>	<i>31 Dec '05 US\$</i>
FIXED ASSETS			
Tangible assets	7	252,851	365,905
Investments	8	28,313	89,635
		<u>281,164</u>	<u>455,540</u>
CURRENT ASSETS			
Debtors	9	7,657,763	5,706,353
Cash at bank and in hand		2,187,826	3,326,814
		<u>9,845,589</u>	<u>9,033,167</u>
CREDITORS amounts falling due within one year	10	<u>833,902</u>	<u>1,090,695</u>
NET CURRENT ASSETS		<u>9,011,687</u>	<u>7,942,472</u>
NET ASSETS		<u>9,292,851</u>	<u>8,398,012</u>
CAPITAL AND RESERVES			
Called up share capital	11	501	501
Share Premium	13	49,599	49,599
Profit and loss account	13	9,242,751	8,347,912
SHAREHOLDERS' FUNDS	13	<u>9,292,851</u>	<u>8,398,012</u>



R M Campbell

Director

14 March 2007

NOTES TO THE ACCOUNTS
at 31 December 2006

1 ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with United Kingdom accounting standards. The accounts are presented in US dollars, the company's functional and presentational currency.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. All differences are taken to the profit and loss account.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

→ Leasehold improvements, fixtures and fittings over 4 years

Assets acquired prior to 1 October 2004 were depreciated on the basis of charging a full year's depreciation in the year of acquisition with no charge in the year of disposal. All assets acquired since 1 October 2004 are being depreciated on the basis of charging depreciation pro-rated for days held over the entire life of the asset. The cumulative effect of this change in accounting method is not material.

Investments

Fixed asset investments are stated at the lower of cost and net realisable value.

Leasing commitments

Rentals paid under operating leases are charged to the profit and loss account over the lease term.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws enacted by the balance sheet date.

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

NOTES TO THE ACCOUNTS (cont)
at 31 December 2006**2 TURNOVER**

Turnover represents management fees receivable in the normal course of business net of commissions payable
Performance fees are recognised when the right to receive payment is established

3. OPERATING PROFIT

a) This is stated after charging

Depreciation on fixed assets

Operating lease rentals land and buildings

Diminution of listed investments

Auditors Remuneration

Audit Fees

Fees payable to Deloitte & Touche LLP for the audit
of the company's annual accounts

Fees payable to Ernst & Young LLP for the audit of
the company's annual accounts

Total Audit Fees

Non Audit Fees

Other Services

Total Non Audit Fees

<i>12 months to 31</i>	<i>15 months to 31</i>
<i>Dec '06</i>	<i>Dec '05</i>
<i>US\$</i>	<i>US\$</i>

114,582	96,511
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219,988	200,838
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61,322	
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15,477	
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	27,734
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15,477	27,734
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(20,515)	21,515
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(20,515)	21,515
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Fees payable to Deloitte & Touche LLP and their associates for non audit services to the company are disclosed in the financial statements of Martin Currie Limited on a consolidated basis

4 OTHER INCOME

Gain on disposal of investments

	289,940
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	289,940
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5 TAX

a) Tax on profit on ordinary activities

The tax charge is made up as follows

Based on profit for the year

US Corporation tax

New York State tax

New York City tax

2,650,726	1,715,723
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320,913	268,182
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418,419	321,819
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3,390,058	2,305,724
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	24,656
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Prior year US Corporation tax

US Corporation tax (over)/under provided in previous years

New York State tax (over)/under provided in previous years

New York City tax (over)/under provided in previous years

(85,026)	7,543
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(61,988)	46,999
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(24,725)	5,312
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3,218,319	2,390,234
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Deferred tax

(11,573)	2,456
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3,206,746	2,392,690
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NOTES TO THE ACCOUNTS (cont)
at 31 December 2006

	<i>12 months to 31 Dec '06 US\$</i>	<i>15 months to 31 Dec '05 US\$</i>
5 TAX (cont)		
b) Factors affecting current tax charge		
The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2005 30%) The differences are reconciled below		
Profit on ordinary activities before tax	8,535,585	5,363,353
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	2,560,676	1,609,006
Adjustments in respect of previous years	(171,739)	84,599
Relief for overseas tax	(251,373)	(200,600)
Overseas tax suffered	739,332	590,001
Difference in overseas tax rate	341,423	307,228
Current tax charge for year	<u>3,218,319</u>	<u>2,390,234</u>

c) Factors that may affect future tax charges

The company has recognised a deferred tax asset of US\$16,412 in respect of excess depreciation over capital allowances (2005 US\$4,839) which will be available for offset against future taxable profits

6 DIVIDENDS

Ordinary dividends on equity shares

Interim dividends of US\$885 0299 (2005 US\$399 4355) per share

<u>4,434,000</u>	<u>2,001,172</u>
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7 TANGIBLE FIXED ASSETS

	<i>Leasehold improvements US\$</i>	<i>Fixtures & fittings US\$</i>	<i>Total US\$</i>
Cost			
At 31 December 2005	362,166	252,065	614,231
Additions		1,528	1,528
Disposals			
At 31 December 2006	<u>362,166</u>	<u>253,593</u>	<u>615,759</u>
Depreciation			
At 31 December 2005	66,264	182,062	248,326
Provided during the year	90,542	24,040	114,582
Disposals			
At 31 December 2006	<u>156,806</u>	<u>206,102</u>	<u>362,908</u>
Net book value			
At 31 December 2006	<u>205,360</u>	<u>47,491</u>	<u>252,851</u>
At 31 December 2005	<u>295,902</u>	<u>70,003</u>	<u>365,905</u>

NOTES TO THE ACCOUNTS (cont)
at 31 December 2006

	<i>31 Dec '06</i> <i>US\$</i>	<i>31 Dec '05</i> <i>US\$</i>
8. INVESTMENTS		
At 31 December 2005	89,635	89,635
Provision for impairment	(61,322)	
At 31 December 2006	<u>28,313</u>	<u>89,635</u>
9 DEBTORS		
Trade debtors	789,143	443,021
Amounts owed by fellow subsidiaries	511,202	1,960,563
Deferred taxation (note 5c)	16,412	4,839
Prepayments and accrued income	6,341,006	3,297,930
	<u>7,657,763</u>	<u>5,706,353</u>
10 CREDITORS amounts falling due within one year		
Amounts due to fellow subsidiaries	137,889	2,097
Taxation	661,715	405,450
VAT		5,974
Accruals	34,298	677,174
	<u>833,902</u>	<u>1,090,695</u>
11 SHARE CAPITAL		
Authorised		
10,000 Ordinary shares of 10c each	<u>1,000</u>	<u>1,000</u>
Issued and Fully paid		
5,010 Ordinary shares of 10c each	<u>501</u>	<u>501</u>
12 OTHER FINANCIAL COMMITMENTS		
At 31 December 2006 the company had annual commitments under non cancellable operating leases as set out below		
	<i>Land & Buildings</i>	
	<i>12 months to 31</i>	<i>15 months to 31</i>
	<i>Dec '06</i>	<i>Dec '05</i>
	<i>US\$</i>	<i>US\$</i>
Leases which expire		
Within one year		
In the second to fifth year inclusive		
In over five years	<u>223,748</u>	<u>223,748</u>

NOTES TO THE ACCOUNTS (cont)
at 31 December 2006

13 RECONCILIATION OF MOVEMENTS IN RESERVES AND SHAREHOLDERS' FUNDS

	<i>Called up share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Shareholders funds</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
At 30 September 2004	501	49,599	7,378,421	7,428,521
Profit attributable to members of the company			2,970,663	2,970,663
Dividends			(2,001,172)	(2,001,172)
At 31 December 2005	501	49,599	8,347,912	8,398,012
Profit attributable to members of the company			5,328,839	5,328,839
Dividends			(4,434,000)	(4,434,000)
At 31 December 2006	501	49,599	9,242,751	9,292,851

Distributable reserves are subject to retaining sufficient funds to meet FSA capital requirements

14 FINANCIAL RISK MANAGEMENT

The company has limited exposure to operational, credit and liquidity risk. The company has established a comprehensive framework for monitoring changes in the market and responding accordingly.

(a) Foreign exchange

Foreign exchange risk is considered limited due to the low volume of transactions executed in foreign currency. All foreign currency transactions are considered on a case by case basis in order to mitigate risk.

(b) Liquidity risk

Liquidity risk is considered limited because the company is a wholly owned subsidiary of Martin Currie Limited.

(c) Credit risk

The company has no significant concentration of credit risk and acts as portfolio manager only to customers with an appropriate credit history. Cash is placed with quality financial institutions with a high credit rating.

(d) Interest rate risk

The company has no exposure to interest rate risk.

15 RELATED PARTY TRANSACTIONS

The company's ultimate parent undertaking is Martin Currie Limited. The consolidated financial statements of this company are publicly available and include the balance of all transactions with group members who are related parties of the group. Under the provisions of Financial Reporting Standard No. 8, transactions with related parties of this company have not been disclosed.

16. CASHFLOW STATEMENT

The company has taken advantage of the exemption under Financial Reporting Standard No. 1 not to prepare a cash flow statement as it is over 90% owned by Martin Currie Limited which prepares a group cashflow statement.

17 ULTIMATE PARENT COMPANY

The ultimate parent company of the largest and smallest group of undertakings for which group accounts are drawn up and of which the company is a member, is Martin Currie Limited, a company registered in Scotland.

18 CONTINGENT LIABILITIES

Martin Currie Limited and its subsidiary undertakings have guaranteed the group overdraft. Martin Currie limited had borrowings of £4,126,819 at 31 December 2006 (31 December 2005: £5,042,378).

19 CONSOLIDATED SUPERVISION

The company is not subject to regulatory consolidated capital requirements.