

**FIDELITY INVESTMENT SERVICES  
LIMITED**

**(Registered no: 2016555)**

**Annual Report  
for the year ended 30 June 1999**



## **FIDELITY INVESTMENT SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1999**

The directors submit their annual report and financial statements for the year ended 30 June 1999, to be presented to the annual general meeting of the company.

#### **Principal activities**

The principal activity of the company is the management and distribution of Authorised Unit Trusts and Open Ended Investment Companies.

The company is regulated by the Investment Management Regulatory Organisation (IMRO) and the Personal Investment Authority (PIA).

#### **Review of business and future developments**

Both the level of business and the year end financial position remain satisfactory. Strong investment performance in most major markets and continued good relative performance by Fidelity's fund managers have led to a strong level of sales and sustained profitability for the company. Repetition of this level of profits in future years will continue to be dependent on market strengths and investor confidence.

In August 1998, 20 of the unit trusts managed by the company were converted into sub funds of the newly established Fidelity Retail OEIC.

The results of the company for the year are set out in the profit and loss account on page 5.

#### **Dividend**

The directors do not recommend the payment of a dividend.

#### **Directors**

The directors of the company during the year ended 30 June 1999, all of whom have been directors for the whole year, unless otherwise stated, are listed below:

E C Johnson 3d	(Resigned 28 September 1998)
G A Adams	
B R J Bateman	(Chairman)
A J Bolton	
E M Boyle	
M P Cambridge	
G S Clapp	
P G Edwards	
S J Fraser	
S M Haslam	
P J Holland	
R M Sylvain	
S E Walden	
R C Wastcoat (Managing Director)	(Appointed 4 March 1999)

No director had a beneficial interest in any of the contracts of the company during the year.

## **FIDELITY INVESTMENT SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1999 - continued**

#### **Directors' interests in shares**

No director had any disclosable interest in the shares of the company or any other group company at any time during the year.

#### **Year 2000**

Preparations for ensuring that all internal systems are Year 2000 compliant started in 1996 and are being managed by the parent company, Fidelity Investment Management Limited. The related costs have initially been paid by Fidelity Investment Management Limited and allocated to Fidelity Investment Services Limited. These preparations and costs are disclosed in the parent's financial statements. Given the complex technological issues associated with Year 2000 and the possibility that problems experienced by one party may cause problems in the systems or business of another, it is not possible for any organisation that has links with third parties to guarantee that it will itself not experience Year 2000 problems. However, the directors believe that they have identified all the actions necessary to ensure adequate business continuity, and have formal project plans in place which they believe are adequate to ensure that the necessary actions will be undertaken in time.

#### **Registered auditors**

A resolution to reappoint PricewaterhouseCoopers as auditors will be proposed at the annual general meeting.

#### **By order of the board**



**S M Haslam**  
**Company Secretary**  
**21 October 1999**

Registered Office  
Oakhill House  
130 Tonbridge Road  
Hildenborough  
TONBRIDGE  
Kent, TN11 9DZ

## **FIDELITY INVESTMENT SERVICES LIMITED**

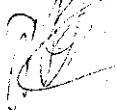
### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 June 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**By order of the board**



**S M Haslam**  
**Company Secretary**  
**21 October 1999**

## **FIDELITY INVESTMENT SERVICES LIMITED**

### **REPORT OF THE AUDITORS TO THE MEMBERS OF FIDELITY INVESTMENT SERVICES LIMITED**

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

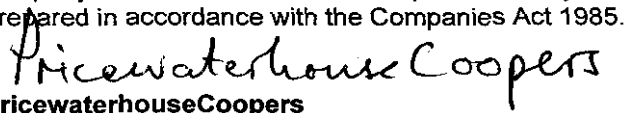
#### **Basis of audit opinion**

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 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 affairs of the company at 30 June 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**PricewaterhouseCoopers**  
**Chartered Accountants and Registered Auditors**  
**London**

*21 October 1999*

**FIDELITY INVESTMENT SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1999**

	<u>Notes</u>	<b>1999</b> £'000	<b>1998</b> £'000
Turnover		102,182	83,373
Cost of sales		(41,056)	(27,097)
<b>Gross profit</b>		<b>61,126</b>	<b>56,276</b>
Administrative expenses		(55,370)	(53,896)
<b>Operating profit</b>		<b>5,756</b>	<b>2,380</b>
Interest receivable		877	749
Interest payable		(34)	(22)
<b>Profit on ordinary activities before taxation</b>	3	<b>6,599</b>	<b>3,107</b>
Taxation on ordinary activities	4	(2,029)	(951)
<b>Profit on ordinary activities after taxation</b>		<b>4,570</b>	<b>2,156</b>
Retained profits brought forward		2,405	249
<b>Retained profits carried forward</b>		<b>6,975</b>	<b>2,405</b>

All businesses are regarded as continuing.

The company has no recognised gains and losses other than those included in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated in the profit and loss account and their historical cost equivalents.

The notes on pages 7 to 11 form part of these financial statements

**FIDELITY INVESTMENT SERVICES LIMITED**

**BALANCE SHEET AS AT 30 JUNE 1999**

	<u>Notes</u>	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
<b>Current assets</b>			
Stock of holdings		190	457
Debtors: amounts falling due within one year	5	146,179	53,237
Cash at bank and in hand	11(b)	14,842	34,201
		<u>161,211</u>	<u>87,895</u>
<b>Creditors: amounts falling due within one year</b>	6	<b>(146,422)</b>	<b>(75,176)</b>
<b>Net current assets</b>		<b>14,789</b>	<b>12,719</b>
<b>Creditors: amount falling due after more than one year</b>	7	<b>-</b>	<b>(2,500)</b>
<b>Net assets</b>		<b>14,789</b>	<b>10,219</b>
		<u>=====</u>	<u>=====</u>
<b>Capital and reserves</b>			
Called up share capital	8	100	100
Capital contribution		7,714	7,714
Profit and loss account		6,975	2,405
<b>Total equity shareholder's funds</b>	9	<b>14,789</b>	<b>10,219</b>
		<u>=====</u>	<u>=====</u>

The financial statements on pages 5 to 11 were approved by the Board of Directors on 21 October 1999 and were signed on its behalf by

  
**S M Haslam**  
**Director**

The notes on pages 7 to 11 form part of these financial statements

## **FIDELITY INVESTMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the significant accounting policies, which have been applied consistently, is set out below.

**a) Historical cost convention**

The accounts have been prepared, in accordance with the historical cost convention.

**b) Turnover**

Turnover, which arises primarily in the United Kingdom and excludes Value Added Tax, comprises:

- i) net revenues receivable from the sale of units including franked investment income; and
- ii) unit trust and OEIC management fees and commissions receivable.

**c) Stock of holdings**

Stock of holdings held in the manager's box are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and represents amounts payable to the Trustee on creation of holdings and to stockholders on repurchase of holdings. Net realisable value is the price at which units can be sold, or cancelled, in the normal course of business after allowing for fiscal and sales charges.

**d) Foreign currencies**

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currency are translated into sterling at the rate of exchange ruling on the date of the transaction. Translation differences are included in profit before taxation.

**e) Deferred taxation**

Provision is made for deferred taxation at the rate of corporation tax that is expected to apply when the timing difference is expected to reverse (the liability method), to the extent that it is probable that a liability or asset will crystallise.



## **FIDELITY INVESTMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - Continued**

#### **1 Principal accounting policies - continued**

##### **f) Cashflow statement**

The company has taken advantage of the exemption within FRS1 for subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, from producing a cashflow statement. The cashflows of the company are included in the consolidated group cashflow statement of Fidelity Investment Management Limited, its immediate controlling company.

#### **2 Directors' emoluments**

	<b><u>1999</u></b> <b>£'000</b>	<b><u>1998</u></b> <b>£'000</b>
Aggregate emoluments	<b>772</b>	1,071
Company pension contributions to defined contribution schemes	<b>62</b>	73

Retirement benefits are accruing to 9 directors under a defined contribution scheme.

Highest paid Director;		
	<b><u>1999</u></b> <b>£'000</b>	<b><u>1998</u></b> <b>£'000</b>
Aggregate emoluments	<b>278</b>	297
Company pension contributions to defined contribution schemes	<b>22</b>	21

#### **3 Profit on ordinary activities before tax**

Profit on ordinary activities before tax is stated after charging:

	<b><u>1999</u></b> <b>£'000</b>	<b><u>1998</u></b> <b>£'000</b>
Auditors' remuneration for audit services	<b>24</b>	23
Auditors' remuneration for other services	<b>2</b>	2

A number of operating expenses, including staff costs, have been initially paid by another UK group company and allocated to Fidelity Investment Services Limited.

# **FIDELITY INVESTMENT SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - Continued**

### **4 Taxation**

The charge for taxation on the profit on ordinary activities is made up as follows:

	<u>1999</u> £'000	<u>1998</u> £'000
UK Corporation Tax at 30.75% (1998: 31%)	2,029	951
	<u>2,029</u> =====	<u>951</u> =====

### **5 Debtors: amounts falling due within one year**

	<u>1999</u> £'000	<u>1998</u> £'000
Accounts receivable - customers and funds	136,149	51,323
Other debtors	9,869	1,825
Prepayments and accrued income	161	89
	<u>146,179</u> =====	<u>53,237</u> =====

### **6 Creditors: amounts falling due within one year**

	<u>1999</u> £'000	<u>1998</u> £'000
Accounts payable - customers and funds	125,909	63,799
Amount owed to group undertakings	9,067	5,536
Corporation Tax	1,663	766
VAT payable	1,165	447
Other creditors	3,323	2,517
Accruals and deferred income	2,795	2,111
Subordinated loan from Fidelity Investment Management Limited	2,500	-
	<u>146,422</u> =====	<u>75,176</u> =====

Subordinated loan repayable upon the expiry of one month's written notice falling after 30 June 1999.

**FIDELITY INVESTMENT SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**7 Creditors: amounts falling due after more than one year**

	<u>1999</u> £'000	<u>1998</u> £'000
Subordinated loan from Fidelity Investment Management Limited	-	2,500
	=====	=====

Repayable upon the expiry of one month's written notice falling after 30 June 1999.

**8 Called up share capital**

	<u>1999</u> <b>Authorised, issued, called up and fully paid</b>	<u>1998</u> Authorised, issued called up and fully paid
100,000 Ordinary shares of £1 each	£100,000	£100,000
	=====	=====

**9 Reconciliation of movements in shareholder's funds**

	<u>1999</u> £'000	<u>1998</u> £'000
Profit for financial year	4,570	2,156
Opening shareholder's funds	10,219	8,063
	-----	-----
<b>Closing shareholder's funds</b>	<b>14,789</b>	<b>10,219</b>
	=====	=====

**10 Capital commitments**

There were no capital commitments at 30 June 1999 (1998: nil).

## **FIDELITY INVESTMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - Continued**

#### **11 Contingent liabilities**

- a) The company is a member of a group registration for Value Added Tax and is, with certain other Fidelity group companies, jointly and severally liable for the tax payable under this group registration.
- b) The company, along with certain other Fidelity group companies, has entered into an arrangement whereby the balance on some of its bank accounts is subject to a legal set off agreement and is jointly and severally liable for any liabilities which may arise under this agreement. At 30 June 1999, of the £14,842,000 cash at bank and in hand, all was held within the grouping arrangement. At the same date the net bank balance on group accounts held within the arrangement was £18,415,000 (1998 net bank balance: £31,640,000).
- c) The company's ultimate holding company, Fidelity International Limited, has agreed to provide each subsidiary of Fidelity Investment Management Limited which is regulated by IMRO, without recourse to any such subsidiary, such funds, to a maximum of £20,000,000, as may be required from time to time to enable each such subsidiary to continue to satisfy the financial resources requirements under the IMRO Regulations.

#### **12 Related Party Disclosure**

The company has taken advantage of the exemption for subsidiary undertakings 90% or more of whose voting rights are controlled within the group, from disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties.

The immediate controlling party for which consolidated accounts are prepared is Fidelity Investment Management Limited, a company registered in England and Wales. Copies of the immediate controlling parties consolidated financial statements can be obtained from the Secretary, Fidelity Investment Management Limited, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent, TN11 9DZ.

The ultimate controlling company is Fidelity International Limited ("FIL"), a Bermuda company, which owns 100% of Fidelity Investment Management's issued share capital. FIL operates under the general supervision of its Board of Directors who, by virtue of their aggregate voting shares, form a controlling group.