

Fidelity Investment Services Limited

(Registered no: 2016555)

Annual Report and Accounts

For The Year Ended 30 June 2007



FIDELITY INVESTMENT SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007

The directors submit their annual report and financial statements for the year ended 30 June 2007

Business review and principal activities

The principal activity of the company is the management and distribution of Authorised and Unauthorised Unit Trusts and Open Ended Investment Companies (OEICs)

The company is regulated by the Financial Services Authority (FSA)

The results for the company are set out on page 5. Funds under management grew during the year largely due to the higher level of markets. This resulted in a 2.8% increase in turnover. Turnover is largely dependant on the value of funds under management. The gross profit margin has decreased due to a significant increase in investment management costs and distribution expenses. The reduction in gross margin has been partially offset by lower administrative expenses, due to a reduction in the brand fee and systems costs. The company's after tax profit for the financial year is £11,756,000 (2006: £24,124,000). No dividends were paid or have been proposed in the current year (2006: £nil).

Development of the business

The company's activities are expected to continue during the coming year. Future levels of growth are dependent on market strength and investor confidence.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effect of changes in equity market prices, credit risk, and liquidity risk. The company does not use derivative financial instruments and does not apply hedge accounting.

The company is committed to a business strategy which supports the proactive identification and assessment of risk, and uses risk information to enhance informed decision making and develop appropriate mitigation strategies. The board of directors monitors risks associated with the company and works closely with the risk management department to identify potential risks and deal with them.

The company has access to various oversight functions which provide a global and independent perspective to assist senior management with establishing policies and procedures for risk. The primary components of this grouping include a central risk management department, a global compliance group, a global internal audit group and a security network.

Market risk

The company is exposed to various types of market risk. Interest rate risk applies to interest bearing assets in the form of deposits and cash held with the company's banks. Term deposit balances earn fixed rates of interest, and overnight deposits are subject to the interest rate available on the day. Foreign currency exchange rate risk exists on revenues derived from foreign denominated assets. Equity risk exists as significant components of revenue are driven by the prices of equities and hence asset values of funds under management. This risk is managed by the funds through diversification of holdings in underlying investments and various other mechanisms implemented at a fund level.

FIDELITY INVESTMENT SERVICES LIMITED

DIRECTORS' REPORT - Continued FOR THE YEAR ENDED 30 JUNE 2007

Financial risk management (continued)

Credit risk

The company makes use of credit rating services of all the major credit rating agencies and has access to the research of brokerage firms and independent research companies. The company has implemented policies that require appropriate credit checks on all potential customers. This policy limits the potential for large overdue accounts and bad debts.

Liquidity risk

Liquidity of any funds from which management fees are earned is monitored at an underlying holdings level on a regular basis.

Working capital balances are monitored closely on an ongoing basis. Further, the company has a letter of support in place from its ultimate parent, Fidelity International Limited, whereby the ultimate parent company may make available funds to an aggregate maximum of £100 million, as may be required by the regulated subsidiaries of the Fidelity Investment Management Limited group to enable them to satisfy their financial resource requirements.

Key performance indicators

The directors of the company are of the opinion that its KPIs are consistent with those of the parent company Fidelity Investment Management Limited (FIML), hence, separate disclosure of KPIs is not necessary. They can be found on page 2 of the accounts of FIML.

Directors

The directors of the company during the year ended 30 June 2007, all of whom have been directors for the whole year (unless otherwise stated) are listed below:

- E Boyle
- C Coombe
- M Gordon
- B Reilly (resigned 31 May 2007)
- N Richards (appointed 22 August 2006)
- A J K Steward
- B A Stock
- R Wane
- R C Wastcoat

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

Directors' interests in shares

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

FIDELITY INVESTMENT SERVICES LIMITED

DIRECTORS' REPORT - Continued FOR THE YEAR ENDED 30 JUNE 2007

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. 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.


Statement of disclosure of information to auditors

So far as the directors are aware there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Registered auditors

The directors appointed PricewaterhouseCoopers LLP as auditors to the company on 6 March 2003. The company has passed elective resolutions to dispense with the appointment of auditors annually and the holding of an annual general meeting.

By order of the board



A J K Steward

Director

29 October 2007

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

FIDELITY INVESTMENT SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIDELITY INVESTMENT SERVICES LIMITED

We have audited the financial statements of Fidelity Investment Services Limited for the year ended 30 June 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and 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 relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

29 OCTOBER 2007

FIDELITY INVESTMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2007

	<u>Notes</u>	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Turnover	2	380,505	370,601
Cost of sales		(296,955)	(262,234)
Gross profit		83,550	108,367
Administrative expenses		(73,534)	(79,055)
Operating profit		10,016	29,312
Profit on disposal of investment in subsidiary undertaking	7	-	17
Net interest receivable and similar charges	4	5,704	1,576
Profit on ordinary activities before taxation	5	15,720	30,905
Taxation on profit on ordinary activities	6	(4,292)	(6,781)
Retained profit for the financial year		11,428	24,124
Retained profit brought forward		70,703	46,579
Retained profit carried forward		82,131	70,703

All operations 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 above and their historical cost equivalents

FIDELITY INVESTMENT SERVICES LIMITED

BALANCE SHEET AT 30 JUNE 2007

	<u>Notes</u>	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u> (restated)
Fixed assets			
Investments in subsidiary undertakings	7	-	-
		<hr/>	<hr/>
		-	-
Current assets			
Stock of holdings		719	4,209
Debtors - amounts falling due with one year	8	234,157	166,509
Current asset investments	9	40,500	30,000
Cash at bank and in hand		86,948	56,535
		<hr/>	<hr/>
		362,324	257,253
Creditors - amounts falling due within one year	10	(262,379)	(168,736)
		<hr/>	<hr/>
Net current assets		99,945	88,517
Creditors - amounts falling due after one year	11	(10,000)	(10,000)
		<hr/>	<hr/>
Net assets		89,945	78,517
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called up share capital	12	100	100
Capital contribution	14	7,714	7,714
Profit and loss account	14	82,131	70,703
		<hr/>	<hr/>
Total shareholders' funds	13	89,945	78,517
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 5 to 14 were approved by the Board of Directors and were signed on its behalf by



A J K Steward
Director
29 October 2007

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Principal accounting policies

The financial statements have been prepared on the going concern basis in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom

The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous year apart from the adoption of FRS 25 'Financial Instruments: Disclosure and Presentation'. This change is described in more detail below.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention.

1.2 Change in accounting policies - Re-classification in last year's accounts & adoption of FRS 25

In preparing the financial statements for the current year, the company has adopted the presentation requirements of FRS 25 *Financial Instruments: Disclosure and Presentation*. This requires financial instruments to be presented in accordance with their substance. Therefore shares, which previously were always presented as part of shareholders' funds regardless of the substance of the instrument, may now be presented as a liability when in substance that share is equivalent to a liability. This has resulted in the redeemable non-voting preference shares being reclassified as a liability, resulting in an increase in liabilities of £10,000,000 and a corresponding decrease in net assets and shareholders' funds in the prior year. The accounting policy for financial instruments is set out more fully below.

1.3 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 net distributions received arising from stocks of holdings held in the manager's box
- ii) Unit trust and OEIC management and administration fees and commissions receivable

1.4 Cost of sales

Cost of sales comprise:

- i) ongoing commission payable to brokers and rebates payable to clients
- ii) investment management costs and fees due to other group companies that are directly incurred in the distribution of OEICs and Unit Trusts

1.5 Stocks of holdings

Stocks of holdings held in Fidelity are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is the price at which holdings can be sold, or cancelled, in the normal course of business after allowing for fiscal and sales charges.

1.6 Foreign currencies

Assets and liabilities of the company 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 the profit before taxation.

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

1 Principal accounting policies (continued)

1.7 Investments

Fixed asset investments are stated at cost less any permanent diminution in value
Current asset investments are stated at the lower of cost and net realisable value

1.8 Deferred taxation

Deferred taxation is recognised in respect of all timing differences which have originated, but not reversed, at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred. A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable.

Deferred tax is measured on a non-discounted basis at the rate of Corporation Tax that is expected to apply when the timing differences are expected to reverse.

1.9 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet.

Where none of the contractual terms of share capital meet the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2 Turnover

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Investment management fees	374,539	359,942
Income from unit dealing	3,823	7,386
Other income	2,143	3,273
	<u>380,505</u>	<u>370,601</u>

The company accounts for the sale of units in its authorised unit trusts and OEICs in accordance with Application note G of FRS 5. The gross sales of units during the year were £9,316m (2006: £9,001m).

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

3 Directors' emoluments

<i>All directors</i>	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Aggregate emoluments	758	592
Company pension contributions to defined contribution schemes	57	43

During the year retirement benefits accrued to 9 (2006 8) directors under a defined contribution scheme

<i>Highest paid director</i>	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Aggregate emoluments	159	131
Company pension contributions to defined contribution schemes	9	9

4 Net interest receivable and similar charges

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Net interest receivable on bank deposits	5,704	1,584
Interest payable on corporation taxation	-	(8)
	5,704	1,576

5 Profit on ordinary activities before taxation

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
The profit on ordinary activities before taxation is stated after charging / (crediting)		
Sub-licence fee	13,367	15,781
Intra-group expense allocations	136,989	130,892
Foreign exchange gain	(677)	-

The company does not have any employees (2006 Nil)

A number of operating expenses, including staff costs, were initially paid by another UK group company and allocated to Fidelity Investment Services Limited. Auditors' remuneration for audit and non-audit services has been borne by the parent company.

Fees for the audit of the company are £156,993 (2006 £138,520)

Fees paid to the company's auditor, PricewaterhouseCoopers LLP for services other than the statutory audit of the company are not disclosed in Fidelity Investment Services Limited's accounts since the consolidated accounts of its parent, Fidelity Investment Management Limited, are required to disclose non-audit fees on a consolidated basis.

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

6 Taxation

- a) The charge for taxation on the profit on ordinary activities is made up as follows

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u> (Restated)
Current taxation		
UK corporation tax on profits	-	6,639
Amount payable to fellow subsidiary in respect of tax saved by group relief	4,303	1,227
Adjustment in respect of prior periods	(11)	(1,085)
Taxation on profit on ordinary activities	<u>4,292</u>	<u>6,781</u>

- b) The taxation assessed for the period is less than the standard rate of corporation taxation in the UK and the difference is made up as follows

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Profit on ordinary activities before tax	<u>15,720</u>	<u>30,905</u>
UK corporation tax on profits at 30% (2006 30%)	4,716	9,272
Adjustments		
Prior year adjustment	(11)	(1,085)
Utilisation of tax losses from other group companies	-	(1,038)
Compensating adjustments	(413)	(362)
Other	-	(6)
Taxation on profit on ordinary activities	<u>4,292</u>	<u>6,781</u>

The Corporation tax payable for the year has been reduced by Group Relief of £14,343,349 received from Fidelity Pensions Management for which payment of £4,303,005 will be made in full on 30 November 2007

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

7 Investments in subsidiary undertakings

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Investment in subsidiary undertakings at cost brought forward	-	17,578
Disposal of investment in subsidiary undertaking	-	(17,578)
Investment in subsidiary undertakings at cost at 30 June	-	-
Write down due to impairment of asset brought forward	-	(11,357)
Reversal of previous impairment of asset	-	11,357
Write down due to impairment of asset at 30 June	-	-
Net book value of investments in subsidiary undertakings at 30 June	-	-

The investment in Fidelity Investment Securities Investment Trust Company Limited was disposed of in the prior year. A profit of £17,483 was realised in the prior year.

Investment	Country of incorporation	Nominal value & voting rights	Nature of business	<u>2007</u> <u>£</u>
Fidelity Investments Europe Limited	England	50%	Dormant	1

The subsidiary undertaking is not consolidated in this set of accounts as consolidation takes place in the financial statements of Fidelity Investment Management Limited, an immediate parent undertaking established within the European Economic Area.

8 Debtors amounts falling due within one year

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Settlement debtors	199,411	125,860
Amounts due from group undertakings	4,508	11,747
Accounts receivable	30,238	28,902
	234,157	166,509

Amounts receivable from group undertakings are unsecured, interest free, with no fixed date of repayment.

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

9 Current investments

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Cash on term deposit	10,500	30,000
Mutual and collective fund investments	30,000	-
	<u>40,500</u>	<u>30,000</u>

10 Creditors amounts falling due within one year

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Settlement creditors	201,901	126,234
Amounts owed to group undertakings	37,742	9,075
Corporation Tax	614	6,374
Amount payable to fellow subsidiary for group relief	4,303	1,227
VAT payable	355	1,952
Accounts payable	17,464	23,874
	<u>262,379</u>	<u>168,736</u>

Amounts owed to group undertakings are unsecured, interest free, with no fixed date of repayment

11 Creditors amounts falling due after one year

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u> (restated)
Authorised		
200,000 Redeemable Preference shares of £100 each	<u>20,000</u>	<u>20,000</u>
Issued, called up and fully paid		
100,000 Redeemable Preference shares of £100 each	<u>10,000</u>	<u>10,000</u>

The redeemable preference shares have no dividend or voting rights. On winding up, the holders have priority before all other classes of shares to receive repayment of capital. Both the company and the redeemable preference shareholders may, on the giving of not less than 12 months notice in writing, redeem the preference shares. There is no premium payable on redemption of the preference shares.

In the current year, the company has adopted the disclosure requirements of 'FRS 25 Financial Instruments Disclosure and Presentation'. As a result the redeemable preference shares, which were previously disclosed as part of shareholders' funds, have been presented as a liability in accordance with their substance. The comparatives have been restated accordingly.

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

12 Called up share capital

Authorised	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u> (Restated)
100,000 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Issued, called up and fully paid		
100,000 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

13 Reconciliation of movements in shareholders' funds

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u> (Restated)
Opening shareholders' funds	78,517	54,393
Profit for the year	<u>11,428</u>	<u>24,124</u>
Closing shareholders' funds	<u>89,945</u>	<u>78,517</u>

14 Other reserves

	<u>Capital contribution</u> <u>2007</u> <u>£'000</u>	<u>Profit and loss account</u> <u>2007</u> <u>£'000</u>	<u>Capital contribution</u> <u>2006</u> <u>£'000</u>	<u>Profit and loss account</u> <u>2006</u> <u>£'000</u>
At 1 July	7,714	70,703	7,714	46,579
Retained profit for the financial year	<u>-</u>	<u>11,428</u>	<u>-</u>	<u>24,124</u>
At 30 June	<u>7,714</u>	<u>82,131</u>	<u>7,714</u>	<u>70,703</u>

15 Capital commitments

There were no capital commitments at 30 June 2007 (2006 Nil)

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

16 Contingent amounts

- a) The company is a member of a group registration for Value Added Tax and is, with certain members of the Fidelity Investment Management Limited group, 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 its bank account is subject to a legal set off agreement and the company is jointly and severally liable for any liabilities which may arise under this agreement. As at 30 June 2007 the net bank balance on group accounts held within the arrangement was £2,912,000 (2006 net bank balance £3,502,170)
- 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 the FSA, without recourse to any such subsidiary, such funds, to a maximum of £100,000,000 as may be required from time to time to enable each such subsidiary to continue to satisfy the financial resources requirements under the FSA regulations

17 Cash flow statement and related party transactions

The company has taken advantage of the exemption under the terms of FRS 8, paragraph 3 from disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties, and from preparing a cash flow statement under the terms of FRS 1 (revised 1996)

Fidelity Investment Services Limited is a wholly owned subsidiary of Fidelity Investment Management Limited

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 party's 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, a Bermuda company, which owns 100% of Fidelity Investment Management Limited's issued share capital