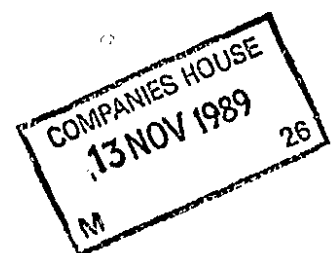


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FIDELITY INVESTMENT SERVICES LIMITED

REPORT OF THE DIRECTORS AND STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 1989



FIDELITY INVESTMENT SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1989

- 1 The directors submit their annual report and accounts for the year ended 30 June 1989 to be presented to the annual general meeting of the company.

2 Review of activities

The principal activity of the company is the management of Authorised Unit Trusts and Personal Pensions. During the next year the Company will continue to be actively involved in both of these areas, seeking to further expand its market share.

3 Results for the year

The results for the year are set out in the profit and loss account on page 4.

4 Dividends

During the year a dividend of £3,800,000 was paid.

5 Directors

The directors of the company at 30 June 1989, all of whom have been directors for the whole year ended on that date, unless otherwise stated, were:

E C Johnson 3rd	
W L Byrnes	
G R Moreno	
B R J Bateman	
N J Brinn	- appointed 31 October 1988
R K Timberlake	- resigned 25 January 1989
A J Ainsworth	
M E Blair	
A J Bolton	
E M Boyle	
M P Cambridge	
D E Harrison	- resigned 29 July 1988
P J Holland	
R J Kelly	- resigned 4 January 1989
G Lowe	
G F Nutter	
P J Pleydell-Bouverie	
B R Russell	
M A F Shenfield	- resigned 31 October 1988
J H Smith	
A P Thomas	
G D Tsergas	
J J Turner	
S E Whittaker	
M A Wrobel	

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1989 - Continued

6 Fixed assets

The changes in fixed assets are set out in note 8 to the accounts.

7 Directors' interests in shares

No directors had any interest in the shares of the company at any time during the year. The interest of directors in the shares of the holding company are disclosed in the directors report for that company.

8 Employees

There are no formal policies for consultation with employees on matters likely to affect their interests; however, information of concern to employees is given in regular information bulletins. Involvement of employees in the company's performance is encouraged by means of a performance related bonus. The company's policy is to employ disabled workers for those vacancies that they are able to fill.

9 Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

BY ORDER OF THE BOARD

M P CAMBRIDGE

Secretary

Registered Office:

Oakhill House
130 Tonbridge Road
Hildenborough
TONBRIDGE
Kent
TN11 9DZ

FIDELITY INVESTMENT SERVICES LIMITEDREPORT OF THE AUDITORS TO THE MEMBERS OF FIDELITY INVESTMENT SERVICES LIMITED

We have audited the accounts on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 30 June 1989 and of the loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

COOPERS & LYBRAND

Chartered Accountants

Maidstone

4 October 1989

FIDELITY INVESTMENT SERVICES LIMITED

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1989

	<u>Notes</u>	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
Turnover	1	991,431	1,148,587
Cost of sales		(967,693)	(1,117,042)
Gross profit		<u>23,738</u>	<u>31,545</u>
Administrative expenses		(23,390)	(36,333)
Operating Profit/(Loss)	2	<u>348</u>	<u>(4,788)</u>
Other interest receivable and similar income	5	175	142
Interest payable and similar charges	6	(290)	(654)
Profit/(Loss) on ordinary activities before taxation		<u>233</u>	<u>(5,300)</u>
Tax on profit/loss on ordinary activities	7	(906)	265
Loss on ordinary activities after taxation		<u>(673)</u>	<u>(5,035)</u>
Transfer from capital contribution	16	3,800	-
Dividend paid		(3,800)	-
Loss for the year		<u>(673)</u>	<u>5,035</u>

STATEMENT OF ACCUMULATED LOSSES/RETAINED PROFITS

Accumulated (losses)/retained profits brought forward	(4,237)	798
Loss for the year	(673)	(5,035)
Accumulated losses carried forward	<u>(4,910)</u>	<u>(4,237)</u>

The notes on pages 7 to 14 form part of these accounts
Auditors' report - page 3

FIDELITY INVESTMENT SERVICES LIMITED

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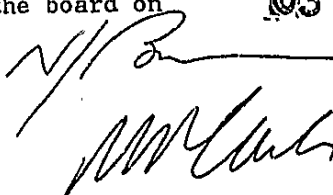
BALANCE SHEET - 30 JUNE 1989

	Notes	1989 £'000	1988 £'000
FIXED ASSETS			
Tangible assets	8	11,333	14,903
CURRENT ASSETS			
Stock of units	1	441	8
Debtors	9	26,967	23,075
Cash at bank and in hand		14,566	272
		<u>41,974</u>	<u>23,355</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(34,417)	(24,515)
NET CURRENT ASSETS/(LIABILITIES)		7,557	(1,160)
Total assets less current liabilities		<u>18,890</u>	<u>13,743</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amounts owed to group companies		(10,000)	-
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	7	-	(380)
		<u>8,890</u>	<u>13,363</u>
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Capital contribution	16	13,700	17,500
Profit and loss account		(4,910)	(4,237)
		<u>8,890</u>	<u>13,363</u>

These accounts were approved by the board on

03 OCT 1989

N J Brinn)
M P Cambridge) Directors



The notes on pages 7 to 14 form part of these accounts
Auditors' report - page 3

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FIDELITY INVESTMENT SERVICES LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30 JUNE 1989

	1989	1988	
	£'000	£'000	£'000
SOURCE OF FUNDS			
Profit/(Loss) before taxation		233	
Adjustment for items not involving the movement of funds:			
Depreciation	231		1,331
Profit on sale of fixed assets	-	231	(120)
			1,211
		464	(4,089)
TOTAL FROM OPERATIONS			17,500
FUNDS FROM OTHER SOURCES			673
Capital contribution			
Sales of fixed assets			204
Transfers of fixed assets to group companies	3,822		-
Increase in creditors falling due after more than one year	10,000	13,822	18,377
		14,286	14,288
TOTAL SOURCES OF FUNDS			(7,522)
APPLICATION OF FUNDS			
Purchase of fixed assets	(483)		(6,893)
Transfer of fixed assets from group companies	(813)		(491)
Tax paid	(3,800)		-
Dividend paid		(5,096)	(14,906)
TOTAL APPLICATION OF FUNDS			(618)
INCREASE/(DECREASE) IN WORKING CAPITAL		9190	
Represented by:			
Increase/(Decrease) in stock of units	433		(2,592)
Increase/(Decrease) in debtors and prepayments	5,188		(24,397)
(Decrease)/Increase in net balance due from group companies	(6,199)		588
(Increase)/Decrease in creditors (excluding taxation)	(2,234)	26,782	381
		(2,812)	
Movement in net liquid funds:			
Increase/(Decrease) in bank balance	14,294		(5,491)
(Increase)/Decrease in bank overdraft	(2,292)	12,002	4,492
		9190	(999)
			(618)

The notes on pages 7 to 14 form part of these accounts
Auditors' report - page 3

NOTES TO THE ACCOUNTS - 30 JUNE 1989

1 Principal accounting policies

A summary of the more important accounting policies is set out below.

a) Historical cost convention

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

b) Depreciation

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis over the expected useful economic life of the assets concerned. The principal annual rate used for this purpose is as follows:

	%
Freehold property	2
Leasehold improvements	15
Office equipment	25
Computer equipment	25
Fixtures and fittings	15
Motor vehicles	25

In the year of acquisition depreciation is charged from the month of purchase; no charge is made in the month of disposal.

c) Turnover

Turnover which excludes value added tax comprises:

- i) Sale proceeds of units; and
- ii) Unit trust management fees and commissions received and receivable.

d) Stocks of units

Stocks of units held in the managers' box are stated at the lower of cost and net realisable value. In general, the cost is determined on a first in first out basis and represents amounts payable to the Trustee on creation of units and to unit holders on repurchase of units. 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.

NOTES TO THE ACCOUNTS - 30 JUNE 1989 - Continuede) Deferred taxation

Provision is made for deferred tax at the rate of corporation tax that will apply when the timing difference is expected to reverse (the liability method), but not where, in the opinion of the directors, the potential tax liability is remote.

f) Foreign currencies

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

g) Pension scheme arrangements

The company operates a self-administered pension scheme open to all employees over 24 years of age. The scheme is a defined contribution scheme, for all employees joining since June 1986, and as such no contingent liability arises in respect of their pension rights. On 30th June 1986 all pension fund assets and liabilities from the existing defined benefit scheme were transferred into the new self-administered scheme guaranteeing the same benefits. The fund was actuarially valued as at 30th June 1989. The value of funds available exceeded the potential liabilities.

Pensions costs are charged to the profit and loss account as payments fall due.

2 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	<u>1989</u> £'000	<u>1988</u> £'000
Depreciation	231	1,331
Auditors' remuneration	30	30
Operating lease charges:		
Computer and office equipment and motor vehicles	1,529	-
	<hr/>	<hr/>

3 Directors' emoluments

Emoluments of directors (including pension contributions):

	<u>1989</u> £'000	<u>1988</u> £'000
For management services	2,187	2,257
Compensation for loss of office	195	30

FIDELITY INVESTMENT SERVICES LIMITED
NOTES TO THE ACCOUNTS - 30 JUNE 1989 - Continued

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Directors' emoluments - continued

Directors' emoluments disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985 and excluding pension contributions are as follows:

	<u>1989</u> £'000	<u>1988</u> £'000
Emoluments of the highest paid director	226	185

Number of other directors whose emoluments were within the ranges:

	<u>1989</u>	<u>1988</u>
Up to - £ 5,000	3	2
£ 5,001 - £ 10,000	1	-
£ 15,001 - £ 20,000	1	-
£ 20,001 - £ 25,000	-	1
£ 25,001 - £ 30,000	1	-
£ 40,001 - £ 45,000	-	1
£ 45,001 - £ 50,000	-	4
£ 50,001 - £ 55,000	-	1
£ 55,001 - £ 60,000	1	2
£ 60,001 - £ 65,000	2	-
£ 65,001 - £ 70,000	1	4
£ 70,001 - £ 75,000	2	1
£ 75,001 - £ 80,000	-	2
£ 80,001 - £ 85,000	2	1
£ 85,001 - £ 90,000	4	1
£ 90,001 - £ 95,000	-	3
£100,001 - £105,000	-	1
£115,001 - £120,000	1	1
£120,001 - £125,000	2	-
£125,001 - £130,000	1	1
£130,001 - £135,000	1	-
£180,001 - £185,000	-	1
£200,001 - £205,000	1	-

4 Employee information

- a) The average number of persons employed by the company during the year, including executive directors, was 325 (1988 - 423).
- b) The aggregate amounts payable for the year for all employees including executive directors was:

	<u>1989</u> £'000	<u>1988</u> £'000
Salaries	7,842	6,827
Social security costs	834	766
Pension contributions (see note 1 (g))	544	582
	<u>9,220</u>	<u>8,175</u>

FIDELITY INVESTMENT SERVICES LIMITED
NOTES TO THE ACCOUNTS 30 JUNE 1989 - Continued

10

- c) The number of employees (excluding directors) whose emoluments were within the ranges:

	<u>1989</u>	<u>1988</u>
£ 30,001 - £ 35,000	15	14
£ 35,001 - £ 40,000	9	5
£ 40,001 - £ 45,000	3	2
£ 45,001 - £ 50,000	5	1
£ 50,001 - £ 55,000	6	-
£ 55,001 - £ 60,000	-	1
£ 90,001 - £ 95,000	1	-
£135,001 - £140,000	1	-

5 Other interest receivable and similar income

	<u>1989</u> £'000	<u>1988</u> £'000
Interest received	175	142

6 Interest payable and similar charges

	<u>1989</u> £'000	<u>1988</u> £'000
Interest payable on bank overdrafts.	290	654

7 Taxation

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

	<u>1989</u> £'000	<u>1988</u> £'000
On the profit/(loss) for the year:		
Recovery of prior year tax	-	(265)
Tax on franked investment income received	1,286	-
Transfer from deferred taxation	(380)	-
	<u>906</u>	<u>(265)</u>

- b) The movements in the provision for deferred taxation were as follows:

	<u>£'000</u>
At 1 July 1988	380
Transfer to profit and loss account	(380)
At 30 June 1989	<u>-</u>

Taxation - continued

- c) The provision made and full potential liability for deferred taxation are as follows:

	1989		1988	
	Provision made £'000	Full potential liability £'000	Provision made £'000	Full potential liability £'000
Accelerated capital allowances	-	-	139	139
Other timing differences	-	-	241	241
	<u>-</u>	<u>-</u>	<u>380</u>	<u>380</u>

8 Tangible assets

	Freehold property £'000	Leasehold improvements £'000	Office equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost at 1 July 1988	11,193	984	1,208	2,177	1,410	16,972
Additions	483	-	-	-	-	483
Transfer to group company	-	(984)	(1,208)	(2,177)	(1,410)	(5,779)
At 30 June 1989	<u>11,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,676</u>
Depreciation at 1 July 1988	112	294	625	397	641	2,069
Charge for the period	231	-	-	-	-	231
Transfer to group company	-	(294)	(625)	(397)	(641)	(1,957)
At 30 June 1989	<u>343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>343</u>
Net book value at 30 June 1989	<u>11,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,333</u>
Net book value at 30 June 1988	<u>11,081</u>	<u>690</u>	<u>583</u>	<u>1,780</u>	<u>769</u>	<u>14,903</u>

The freehold property is subject to a fixed charge in favour of a group company in the sum of £10,000,000.

FIDELITY INVESTMENT SERVICES LIMITED

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NOTES TO THE ACCOUNTS - 30 JUNE 1989 - Continued9 Debtors

	<u>1989</u> £'000	<u>1988</u> £'000
Trade debtors	25,969	19,751
Prepayments and accrued income	451	1,231
Amount owed by group companies	84	906
Other debtors	446	696
Corporation tax recoverable	17	491
	<u>26,967</u>	<u>23,075</u>

10 Creditors: amounts falling due within one year

	<u>1989</u> £'000	<u>1988</u> £'000
Bank loans and overdrafts	3,800	1,508
Trade creditors	20,588	18,315
Amount owed to group companies	5,562	185
Other creditors including taxation and social security (note 11)	1,082	631
Accruals and deferred income	3,385	3,876
	<u>34,417</u>	<u>24,515</u>

11 Other creditors including taxation and social security

	<u>1989</u> £'000	<u>1988</u> £'000
PAYE and social security	254	-
VAT	792	452
Other creditors	36	179
	<u>1,082</u>	<u>631</u>

NOTES TO THE ACCOUNTS - 30 JUNE 1989 - Continued12 Share capital

	<u>1989</u>		<u>1988</u>	
	<u>Authorised</u>	<u>Issued and fully paid</u>	<u>Authorised</u>	<u>Issued and fully paid</u>
Ordinary shares of £1 each	£100,000	£100,000	£100,000	£100,000

13 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 together 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 is jointly and severally liable for any liabilities which may arise under this agreement. At 30 June 1989 there were no net relevant liabilities.

14 Commitments

At 30th June commitments were

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Contracted and authorised		
Capital Expenditure	151	417
Sponsorship	-	435

15 Financial commitments in respect of operating leases

The company has the following financial commitments in respect of operating leases payable during the next year analysed by year of expiry:

	<u>Lease of land and buildings £'000</u>
Between 2 and 5 years	7
Thereafter	1,089
	<u>1,096</u>

FIDELITY INVESTMENT SERVICES LIMITED

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NOTES TO THE ACCOUNTS - 30 JUNE 1989 - Continued

16 Capital Contribution

	<u>£'000</u>
At 1 July 1988	17,500
Transfer to profit & loss account	(3,800)
At 30 June 1989	<u>13,700</u>

17 Holding company

The ultimate holding company is Fidelity International Limited, which is incorporated in Bermuda.