

**FIDELITY INVESTMENT SERVICES
LIMITED**

(Registered no: 2016555)

**Annual Report
for the year ended 30 June 2002**



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FIDELITY INVESTMENT SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 June 2002

The directors submit their annual report and financial statements for the year ended 30 June 2002.

Principal activities

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

The company was regulated by the Investment Management Regulatory Organisation (IMRO) and the Personal Investment Authority (PIA) until 30 November 2001. From 1 December 2001 the company was regulated by the Financial Services Authority (FSA).

Review of business and future developments

Market conditions worldwide have remained difficult this year especially after the events of September 11th 2001. However the combination of subsequent trading conditions improving and the launch of new funds has meant that turnover has increased.

Administrative expenses have fallen significantly during the year owing to the implementation of cost and budgetary control policies. This has led to an increase in the level of profits.

The future stability and growth of funds under management will be dependent on market strength and investor confidence.

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

Dividend

During the year an interim dividend of £1,500,000 was paid out. (2001: £nil)

The directors do not recommend payment of a final dividend. (2001: £nil).

Directors

The directors of the company during the year ended 30 June 2002, all of whom have been directors for the whole year (unless otherwise stated) are listed below:

G A Adams	
T E J Balk	(appointed 1 December 2001)
B R J Bateman	(resigned 1 December 2001)
A J Bolton	(resigned 1 December 2001)
A Davis	(resigned 1 December 2001)
P G Edwards	
S J Fraser	
S M Haslam	(resigned 1 December 2001)
N McCabe	(resigned 1 December 2001)
R Peers	(resigned 1 December 2001)
L Rowe	(resigned 1 December 2001)
R M Sylvain	(appointed 1 December 2001)
A J K Steward	(appointed 1 December 2001)
R Threadgold	(resigned 1 December 2001)
R C Wastcoat	

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 2002 - 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.

Registered auditors

PricewaterhouseCoopers have been appointed as auditors to the company, and 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



P G Edwards
Director
18 October 2002

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

FIDELITY INVESTMENT SERVICES LIMITED

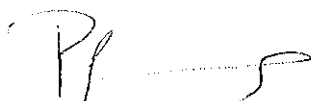
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 2002. 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

A handwritten signature in dark ink, appearing to be 'P G Edwards', with a long horizontal stroke extending to the right.

P G Edwards
Director
18 October 2002

FIDELITY INVESTMENT SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIDELITY INVESTMENT SERVICES LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7 and 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 United Kingdom 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 2002 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
18 October 2002

FIDELITY INVESTMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 June 2002

	<u>Notes</u>	<u>2002</u> £'000	<u>2001</u> £'000
Turnover		211,812	189,898
Cost of sales		(132,392)	(110,321)
Gross profit		<u>79,420</u>	<u>79,577</u>
Administrative expenses		(64,453)	(70,295)
Operating profit		<u>14,967</u>	<u>9,282</u>
Interest receivable		163	1,099
Interest payable		(24)	(21)
Profit on ordinary activities before taxation	3	<u>15,106</u>	<u>10,360</u>
Taxation on profit on ordinary activities	4	(8,144)	(3,065)
Profit on ordinary activities after taxation		<u>6,962</u>	<u>7,295</u>
Dividends paid		(1,500)	-
Retained profit brought forward		<u>22,689</u>	<u>15,394</u>
Retained profit carried forward		<u>28,151</u>	<u>22,689</u>

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.

The notes on pages 7 to 14 form part of these financial statements

FIDELITY INVESTMENT SERVICES LIMITED

BALANCE SHEET AS AT 30 June 2002

	<u>Notes</u>	<u>2002</u> £'000	<u>2001</u> £'000
Fixed Assets			
Investments in subsidiary undertakings	5	6,288	10,000
		<u>6,288</u>	<u>10,000</u>
Current assets			
Stock of holdings		941	680
Debtors: amounts falling due within one year	6	115,821	200,099
Cash at bank and in hand	12	38,864	2,328
		<u>155,626</u>	<u>203,107</u>
Creditors: amounts falling due within one year	7	<u>(115,949)</u>	<u>(172,604)</u>
Net current assets		<u>39,677</u>	<u>30,503</u>
Net assets		<u>45,965</u>	<u>40,503</u>
Capital and reserves			
Called up share capital	8	10,100	10,100
Other reserves	10	7,714	7,714
Profit and loss account	10	28,151	22,689
Total shareholders' funds	9	<u>45,965</u>	<u>40,503</u>
Analysis of shareholders' funds			
Equity		35,965	30,503
Non-equity		10,000	10,000
		<u>45,965</u>	<u>40,503</u>

The financial statements on pages 5 to 14 were approved by the Board of Directors on 18 October 2002 and were signed on its behalf by



P G Edwards
Director
18 October 2002

The notes on pages 7 to 14 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 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.

c) Cost of Sales

Cost of Sales comprises:

- i) ongoing commission payable to brokers and rebates payable to clients.
- ii) cost allocations and fees due to other group companies that are directly incurred in the management and distribution of OEIC's and unit trusts.

d) Stock of holdings

Stocks 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 paid 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.

e) 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.

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

f) Cashflow statement

The company has taken advantage of the exemption within FRS1 (Revised) 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.

g) Investments

Fixed asset investments are stated at cost less any provision for a permanent diminution in value.

h) 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 is probable that a liability or asset will crystallise.

2 Directors' emoluments

	<u>2002</u> £'000	<u>2001</u> £'000
Aggregate emoluments	1,235	1,508
Company pension contributions to defined contribution schemes	77	80

Retirement benefits are accruing to 7 directors (2001:12) under a defined contribution scheme.

	<u>2002</u> £'000	<u>2001</u> £'000
Highest paid director		
Aggregate emoluments	440	198
Company pension contributions to defined contribution schemes	25	25

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	<u>2002</u> £'000	<u>2001</u> £'000
Auditors' remuneration for audit services	30	27
Auditors' remuneration for other services	8	10
Foreign exchange (gains)/losses	37	(88)

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

The company does not have any employees (2001: Nil).

4 Taxation

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

	<u>2002</u> £'000	<u>2001</u> £'000
Current taxation		
UK corporation tax on profits of period	7,141	2,635
Adjustment in respect of prior periods	1,003	430
Taxation on profit on ordinary activities	<u>8,144</u>	<u>3,065</u>

b) The taxation assessed for the period is greater than the standard rate of corporation taxation in the UK, the difference is made up as follows:

	<u>2002</u> £'000	<u>2001</u> £'000
Profit on ordinary activities before tax	<u>15,106</u>	<u>10,360</u>
UK Corporation Tax at 30% (2001: 30%)	4,532	3,108
Adjustments:		
Impairment Loss on Fixed Asset Investment	2,609	-
Adjustments in respect of prior periods	1,003	430
IHI Tax Credit	-	(467)
Movement in general provisions	-	(6)
	<u>8,144</u>	<u>3,065</u>

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

5 Investments in subsidiary undertakings

	<u>2002</u> £	<u>2001</u> £
Shares in subsidiary undertakings at cost at 1 July	10,000,002	10,000,002
Additions during the year	4,985,044	-
Shares in subsidiary undertakings at cost at 30 June	<u>14,985,046</u>	<u>10,000,000</u>
Write down due to impairment of asset at 1 July	-	-
Write off during the year	(8,697,365)	-
Write off due to impairment at 30 June	<u>(8,697,365)</u>	<u>-</u>
Investments in subsidiary undertakings	<u><u>6,287,681</u></u>	<u><u>10,000,002</u></u>

Following an impairment review the carrying value of the investment in FISITC has been written down. An impairment loss of £8,697,365 has been recognised in the profit and loss account for the year.

At 30 June 2002 the company held ordinary shares in the following subsidiary companies:

Fidelity Investment Securities Investment Trust Company Limited	6,287,679	10,000,000
Fidelity Nominees Limited	1	1
Fidelity Investments Europe Limited	1	1
	<u><u>6,287,681</u></u>	<u><u>10,000,002</u></u>

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

5 Investments in subsidiary undertakings - Continued

Investment	Country of Incorporation	Proportion of Voting Rights	Nature of Business
Fidelity Investment Securities Investment Trust Company Limited	Taiwan	100%	Fund Management
Fidelity Nominees Limited	England	50%	Dormant
Fidelity Investments Europe Limited	England	50%	Dormant

The subsidiary undertakings are not consolidated in the 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.

6 Debtors: amounts falling due within one year

	<u>2002</u> £'000	<u>2001</u> £'000
Accounts receivable	92,783	167,385
Amounts due from Group undertakings	8,340	20,293
Other debtors	14,545	12,285
Prepayments and accrued income	153	136
	----- 115,821 =====	----- 200,099 =====

7 Creditors: amounts falling due within one year

	<u>2002</u> £'000	<u>2001</u> £'000
Bank overdraft	-	26,319
Accounts payable	95,753	126,778
Amounts owed to group undertakings	1,860	-
Corporation Tax	4,522	3,167
VAT payable	1,068	1,033
Other creditors	9,476	11,763
Accruals and deferred income	770	1,044
Subordinated loan from Fidelity Investment Management Limited	2,500	2,500
	----- 115,949 =====	----- 172,604 =====

The subordinated loan is repayable upon the expiry of one month's written notice.

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

8 Called up share capital

	<u>2002</u>	<u>2001</u>
Authorised		
100,000 Ordinary shares of £1 each	£100,000	£100,000
200,000 Redeemable Preference shares of £100 each	£20,000,000	£20,000,000
	-----	-----
	<u>£20,100,000</u>	<u>£20,100,000</u>
	=====	=====
Issued called up and fully paid		
100,000 Ordinary shares of £1 each	£100,000	£100,000
100,000 Redeemable Preference shares of £100 each	£10,000,000	£10,000,000
	-----	-----
	<u>£10,100,000</u>	<u>£10,100,000</u>
	=====	=====

The redeemable preference shares have no dividend or voting rights. On a 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.

9 Reconciliation of movements in shareholders' funds

	<u>2002</u> £'000	<u>2001</u> £'000
Profit for the financial year	6,962	7,295
Dividend paid	(1,500)	-
Opening shareholders' funds	40,503	33,208
	-----	-----
Closing shareholders' funds	<u>45,965</u>	<u>40,503</u>
	=====	=====

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

10	Other reserves	Capital contribution	Profit and loss account
		£'000	£'000
	At 1 July 2001	7,714	22,689
	Retained profit for the financial year	-	5,462
		-----	-----
	At 30 June 2002	7,714	28,151
		=====	=====

11 Capital commitments

There were no capital commitments at 30 June 2002 (2001: nil).

12 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 its bank accounts 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. At 30 June 2002 of the £38,863,831 cash at bank and in hand, £38,863,831 was held within the grouping arrangement. At the same date the net balance on group accounts held within the arrangement was £14,793,871 (2001: net bank overdraft balance: £30,091,285).
- c) The company's ultimate controlling company, Fidelity International Limited, has agreed to provide each subsidiary of Fidelity Investment Management Limited which is regulated by 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.

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

13 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.

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's issued share capital.