

**FIDELITY INVESTMENT SERVICES
LIMITED**

(Registered no: 2016555)

**Annual Report
for the year ended 30 June 1997**

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FIDELITY INVESTMENT SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1997

The directors submit their annual report and financial statements for the year ended 30 June 1997 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. This is expected to continue over the course of the next year.

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

Review of business and future developments

Strong investment performance in most major markets and excellent 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.

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

Dividend

During the year the directors proposed and paid a dividend of £2,500,000.

Directors

The directors of the company during the year ended 30 June 1997, all of whom have been directors for the whole year, unless otherwise stated, are listed below:

E C Johnson 3rd	(Chairman)
G A Adams	(Appointed 25 October 1996)
B R J Bateman	
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	(Appointed Managing Director 22 August 1997)
P D Talbot	(Resigned 30 September 1996)
S E Walden	

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 1997 - 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.

Charitable Contributions

During the year, the company made charitable contributions totalling £200,000 (1996: £260,000).

Registered auditors

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

By order of the board



**S M Haslam
Company Secretary
29 September 1997**

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 1997. 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
29 September 1997

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.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
29 September 1997

FIDELITY INVESTMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1997

	<u>Notes</u>	<u>1997</u> £'000	<u>1996</u> £'000
Turnover		63,513	49,321
Cost of sales		(20,332)	(13,862)
		-----	-----
Gross profit		43,181	35,459
Administrative expenses		(41,845)	(33,921)
		-----	-----
Operating profit		1,336	1,538
Interest receivable		332	163
Interest payable		(15)	(20)
		-----	-----
Profit on ordinary activities before taxation	3	1,653	1,681
Taxation on ordinary activities	4	(312)	(371)
		-----	-----
Profit on ordinary activities after taxation		1,341	1,310
Dividends paid		(2,500)	-
		-----	-----
Retained (loss)/profit for the year		(1,159)	1,310
Accumulated profits brought forward		1,408	98
		-----	-----
Retained profits carried forward		249	1,408
		=====	=====

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 above and their historical cost equivalents.

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

FIDELITY INVESTMENT SERVICES LIMITED

BALANCE SHEET - 30 JUNE 1997

	<u>Notes</u>	<u>1997</u> £'000	<u>1996</u> £'000
Current assets			
Stock of units	1(c)	400	340
Debtors: amounts falling due within one year	5	55,244	112,696
Cash at bank and in hand	11(b)	22,785	20,995
		-----	-----
		78,429	134,031
Creditors: amounts falling due within one year	6	(67,866)	(124,809)
		-----	-----
Net current assets		10,563	9,222
Creditors: amount falling due after more than one year	7	(2,500)	-
		-----	-----
Net assets		8,063	9,222
		=====	=====
Capital and reserves			
Called up share capital	8	100	100
Capital contribution		7,714	7,714
Profit and loss account		249	1,408
		-----	-----
Equity shareholder's funds	9	8,063	9,222
		=====	=====

The financial statements on pages 5 to 11 were approved by the Board of Directors on 29 September 1997 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 management fees and commissions receivable.

c) Stock of units

Stock of units held in the manager's box are stated at the lower of cost and net realisable value. In general, 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.

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

	<u>1997</u> £'000	<u>1996</u> £'000
Aggregate emoluments	891	1,400
Company pension contributions to defined contribution schemes	87	120

Retirement benefits are accruing to 11 directors under a defined contribution scheme.

Aggregate compensation paid for loss of office	80	92
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Highest paid Director

	<u>1997</u> £'000	<u>1996</u> £'000
Aggregate emoluments	254	251
Company pension contributions to defined contribution schemes	20	20

3 Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging:

	<u>1997</u> £'000	<u>1996</u> £'000
Auditors' remuneration for audit services	21	47
Auditors' remuneration for other services	2	4

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>1997</u> £'000	<u>1996</u> £'000
Tax on franked investment income	312	399
Overprovision in prior years	-	(28)
	-----	-----
	312	371
	=====	=====

The tax charge on the profit is lower than expected as the company received non-taxable income during the year.

5 Debtors: amounts falling due within one year

	<u>1997</u> £'000	<u>1996</u> £'000
Accounts receivable - customers and funds	54,705	111,817
Other debtors	450	879
Prepayments and accrued income	89	-
	-----	-----
	55,244	112,696
	=====	=====

6 Creditors: amounts falling due within one year

	<u>1997</u> £'000	<u>1996</u> £'000
Accounts payable - customers and funds	55,967	109,683
Amount owed to group undertakings	8,372	12,362
VAT payable	362	151
Other creditors	1,844	1,596
Accruals and deferred income	1,321	1,017
	-----	-----
	67,866	124,809
	=====	=====

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

7 Creditors: amounts falling due after more than one year

	<u>1997</u> £'000	<u>1996</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>1997</u> Authorised, issued, called up and fully paid	<u>1996</u> Authorised, issued, called up and fully paid
100,000 Ordinary shares of £1 each	£100,000 =====	£100,000 =====

9 Reconciliation of movements in shareholders' funds

	<u>1997</u> £'000	<u>1996</u> £'000
Profit for financial year	1,341	1,310
Dividends	(2,500)	-
Opening shareholders' funds	9,222 -----	7,912 -----
Closing shareholders' funds	8,063 =====	9,222 =====

10 Capital commitments

There were no capital commitments at 30 June 1997 (1996: 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, together 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 1997, of the £22,785,000 cash at bank and in hand, £22,780,000 was held within the grouping arrangement. At the same date the net bank balance on group accounts held within the arrangement was £7,557,000 (1996 net bank overdraft: £2,676,000). 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.