

**FIDELITY INVESTMENT SERVICES
LIMITED**

(Registered no: 2016555)

**Annual Report
for the year ended 30 June 2003**



FIDELITY INVESTMENT SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 June 2003

The directors submit their annual report and financial statements for the year ended 30 June 2003.

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 Financial Services Authority (FSA).

Review of business and future developments

Market conditions worldwide have remained difficult this year causing a decrease in turnover, although trading conditions began to improve from April 2003.

Administrative expenses have fallen significantly during the year as a result of a decrease in the allocated expenditure. 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.

Results and dividend

The company's profit before distributions for the financial year is £23,640,000 (2002: £6,962,000).

During the year an interim dividend of £5,000,000 was paid out. (2002: £1,500,000)

Directors

The directors of the company during the year ended 30 June 2003, all of whom have been directors for the whole year (unless otherwise stated) are listed below:

Adams, G A	
Boyle, E	(appointed 1 July 2003)
Brewster, M	(appointed 10 July 2003)
Balk, T E J	
Edwards, P G	(resigned 1 January 2003)
Fraser, S J	
Steward, A J K	
Sylvain, R M	(resigned 1 July 2003)
Wane, R	(appointed 23 January 2003)
Wastcoat, R C	

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 2003 - continued

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.

Registered auditors

Following the conversion of our auditors, PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 6 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. 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 handwritten signature in black ink, enclosed within a hand-drawn oval. The signature is stylized and appears to be 'A J K Steward'.

A J K Steward
Director
16th October 2003

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

FIDELITY INVESTMENT SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year which 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 year. 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and to 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.

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

By order of the board



A J K Steward
Director
16th October 2003

FIDELITY INVESTMENT SERVICES LIMITED

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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.

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. 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 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. The other information comprises only the directors' report.

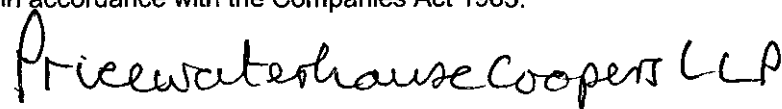
Basis of audit opinion

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 the company's affairs at 30 June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
16th October 2003

FIDELITY INVESTMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 June 2003

	<u>Notes</u>	<u>2003</u> £'000	<u>2002</u> £'000
Turnover		183,730	211,812
Cost of sales		(100,380)	(132,392)
Gross profit		83,350	79,420
Administrative expenses		(56,344)	(64,453)
Operating profit		27,006	14,967
Net interest receivable and similar charges	3	465	139
Profit on ordinary activities before taxation	4	27,471	15,106
Taxation on profit on ordinary activities	5	(3,831)	(8,144)
Profit on ordinary activities after taxation		23,640	6,962
Dividends paid	6	(5,000)	(1,500)
Profit for the financial year		18,640	5,462
Retained profit brought forward		28,151	22,689
Retained profit carried forward		46,791	28,151

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.

FIDELITY INVESTMENT SERVICES LIMITED

BALANCE SHEET AS AT 30 June 2003

	<u>Notes</u>	<u>2003</u> £'000	<u>2002</u> £'000
Fixed Assets			
Investments in subsidiary undertakings	7	7,292	6,288
		<u>7,292</u>	<u>6,288</u>
Current assets			
Stock of holdings		940	941
Debtors: amounts falling due within one year	8	170,982	115,821
Cash at bank and in hand	15b	68,516	38,864
		<u>240,438</u>	<u>155,626</u>
Creditors: amounts falling due within one year	9	(180,625)	(115,949)
Net current assets		<u>59,813</u>	<u>39,677</u>
Creditors: amounts falling due after more than one year	10	(2,500)	-
Total assets less liabilities		<u>64,605</u>	<u>45,965</u>
Capital and reserves			
Called up share capital	11	10,100	10,100
Capital contribution	13	7,714	7,714
Profit and loss account	13	46,791	28,151
Total shareholders' funds	12	<u>64,605</u>	<u>45,965</u>
Analysis of shareholders' funds			
Equity		54,605	35,965
Non-equity		10,000	10,000
		<u>64,605</u>	<u>45,965</u>

The financial statements on pages 5 to 14 were approved by the Board of Directors on 16th October 2003 and were signed on its behalf by



A J K Steward
Director
16th October 2003

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 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) Investments

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

g) 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.

2 Directors' emoluments

	<u>2003</u> £'000	<u>2002</u> £'000
Aggregate emoluments	1,230	1,235
Company pension contributions to defined contribution schemes	80	77

Retirement benefits are accruing to 8 directors (2002:7) under a defined contribution scheme.

	<u>2003</u> £'000	<u>2002</u> £'000
Highest paid director		
Aggregate emoluments	612	440
Company pension contributions to defined contribution schemes	31	25

3 Net interest receivable and similar charges

	<u>2003</u> £'000	<u>2002</u> £'000
Interest receivable on bank deposits	500	163
Interest payable on corporation taxation	(32)	(24)
Other interest payable	(3)	-
	<u>465</u>	<u>139</u>

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	<u>2003</u> £'000	<u>2002</u> £'000
Auditors' remuneration for audit services	40	30
Auditors' remuneration for other services	4	8
Foreign exchange (gains)/losses	(21)	37

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 (2002: Nil).

5 Taxation

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

	<u>2003</u> £'000	<u>2002</u> £'000
Current taxation		
UK corporation tax on profits of period	5,361	7,141
Adjustment in respect of prior periods	(1,530)	1,003
	-----	-----
Taxation on profit on ordinary activities	<u>3,831</u>	<u>8,144</u>

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

	<u>2003</u> £'000	<u>2002</u> £'000
Profit on ordinary activities before tax	27,471	15,106
	=====	=====
UK Corporation Tax at 30% (2002: 30%)	8,241	4,532
Adjustments:		
Impairment Loss on Fixed Asset Investment	477	2,609
Adjustments in respect of prior periods	(1,530)	1,003
Utilisation of tax losses	(3,357)	-
	-----	-----
	<u>3,831</u>	<u>8,144</u>
	=====	=====

6 Dividends

	<u>2003</u> £'000	<u>2002</u> £'000
Interim paid £50 (2002: £15) per £1 share	5,000	1,500
	=====	=====

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

7 Investments in group undertakings

	<u>2003</u> £	<u>2002</u> £
Investment in group undertakings at Cost brought forward	14,985,046	10,000,002
Additions during the year	2,592,823	4,985,044
Disposals during the year	(1)	-
Investment in group undertakings at Cost 30 June	----- 17,577,868 -----	----- 14,985,046 -----
Write down due to impairment of asset brought forward	(8,697,365)	-
Write off during the year	(1,588,694)	(8,697,365)
Write off due to impairment at 30 June	----- (10,286,059) -----	----- (8,697,365) -----
Investments in group undertakings at 30 June	----- 7,291,809 =====	----- 6,287,681 =====

Following an impairment review the carrying value of the investment in Fidelity Investment Securities Investment Trust Company Limited has been written down. An impairment loss of £1,588,694 (2002: £8,697,365) has been recognised in the profit and loss account for the year.

The investment in Fidelity Nominees Limited was disposed of during the year and transferred to Fidelity Investment Management Limited the immediate parent undertaking.

At 30 June 2003 the company held ordinary shares in the following group companies:

	<u>2003</u> £	<u>2002</u> £
Fidelity Investment Securities Investment Trust Company Limited	7,291,808	6,287,679
Fidelity Nominees Limited	-	1
Fidelity Investments Europe Limited	1	1
	----- 7,291,809 =====	----- 6,287,681 =====

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

7 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 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.

8 Debtors: amounts falling due within one year

	<u>2003</u> £'000	<u>2002</u> £'000
Accounts receivable	152,327	92,783
Amounts due from Group undertakings	5,108	8,340
Trade debtors	13,534	14,545
Prepayments and accrued income	13	153
	----- 170,982 =====	----- 115,821 =====

9 Creditors: amounts falling due within one year

	<u>2003</u> £'000	<u>2002</u> £'000
Accounts payable	161,065	95,753
Amounts owed to group undertakings	6,586	1,860
Corporation Tax	3,985	4,522
VAT payable	974	1,068
Trade creditors	7,836	9,476
Accruals and deferred income	179	770
Subordinated loan from Fidelity Investment Management Limited	-	2,500
	----- 180,625 =====	----- 115,949 =====

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

10 Creditors: amounts falling due after more than one year

	<u>2003</u> £'000	<u>2002</u> £'000
Subordinated loan from Fidelity Investment Management Limited	2,500	-
	-----	-----
	2,500	-
	=====	=====

The subordinated loan bears no interest and is repayable upon the expiry of one month's written notice after 30 June 2007.

11 Called up share capital

Authorised	<u>2003</u> £'000	<u>2002</u> £'000
100,000 Ordinary shares of £1 each	100	100
200,000 Redeemable Preference shares of £100 each	20,000	20,000
	-----	-----
	20,100	20,100
	=====	=====
Issued, called up and fully paid	<u>2003</u> £'000	<u>2002</u> £'000
100,000 Ordinary shares of £1 each	100	100
100,000 Redeemable Preference shares of £100 each	10,000	10,000
	-----	-----
	10,100	10,100
	=====	=====

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.

12 Reconciliation of movements in shareholders' funds

	<u>2003</u> £'000	<u>2002</u> £'000
Profit for the financial year	23,640	6,962
Dividend paid	(5,000)	(1,500)
Opening shareholders' funds	45,965	40,503
	-----	-----
Closing shareholders' funds	64,605	45,965
	=====	=====

FIDELITY INVESTMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

13	Other reserves	Capital contribution	Profit and loss account
		£'000	£'000
	At 1 July 2002	7,714	28,151
	Retained profit for the financial year	-	18,640
		-----	-----
	At 30 June 2003	7,714	46,791
		=====	=====

14 Capital commitments

There were no capital commitments at 30 June 2003 (2002: nil).

15 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 2003 of the £68,515,926 (30 June 2002: £38,863,831) cash at bank and in hand, £68,515,926 was held within the grouping arrangement. At the same date the net balance on group accounts held within the arrangement was £1,809,213 (2002: net bank overdraft balance: £14,793,871).
- 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

16 Cash flow statement and related party disclosures

The company has taken advantage of the exemption under the terms of FRS 8 from disclosing transactions with similar 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 the issued share capital of Fidelity Investment Management Limited.