

FIL Investment Services (UK) Limited

Registered number: 2016555

**Financial statements
for the year ended 30 June 2012**

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FIL INVESTMENT SERVICES (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

The directors submit their report and the audited financial statements of FIL Investment Services (UK) Limited ("the company") for the year ended 30 June 2012

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 authorised and regulated by the Financial Services Authority ("FSA")

Business review and dividends

The results for the company are set out on page 5. The company's profit after tax for the financial year is £6,184,000 (2011 £3,165,000). Funds under management decreased during the year resulting in a 13% decrease in turnover. However, cost of sales and administrative expenses have also decreased (together by 14%) over the year. An interim dividend of £12,000,000 has been paid (2011 £28,660,000). No final dividend is proposed (2011 £nil).

Key performance indicators ("KPIs")

The directors of the company are of the opinion that its KPIs are consistent with those of the group headed by FIL Holdings Limited ("FHL"), of which the company is a member, and therefore separate disclosure is not necessary. Details of these KPIs may be found in the consolidated financial statements of FHL.

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. Significant work continues to take place in relation to the company's propositions in order to achieve the objectives and meet with the requirements of the Retail Distribution Review ("RDR") which comes into force on 31 December 2012.

Financial risk management

The company is subject to operational and financial risks. Financial risks include market risk, credit risk and liquidity risk, which make up the principal financial risks and uncertainties facing the company. 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 directors monitor risks associated with the company and work closely with the risk management department to identify potential risks and deal with them.

The company has access to various oversight functions which provide an independent perspective to assist senior management with establishing policies and procedures for effective control and risk management. These functions include a central risk management department, a compliance department, an internal audit department and an investigation and intelligence unit.

Market risk

The company is exposed to various types of market risk. Price risk exists indirectly as components of revenue are driven by the prices of securities and hence asset values of funds under management. Interest rate risk applies to cash and deposits with the company's banks, which are subject to daily interest rate variances, and investments in liquidity funds. Foreign exchange rate risk exists on revenues derived from foreign denominated assets.

Interest rate risks are managed actively and pricing risk is managed through regular monitoring of the assets under management and active cost control. In addition, the company carries holdings in Fidelity funds to assist day to day operational processes.

FIL INVESTMENT SERVICES (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

Financial risk management (continued)

Credit risk

The FIL Holdings Limited group of companies ("FHL group") makes use of credit rating services of the major credit rating agencies and has access to the research of brokerage firms and independent research companies. The FHL group has implemented policies that require credit checks where appropriate on potential counterparties. This policy limits the potential for large overdue accounts and bad debts.

Financial instruments exposure may only be to counterparties under guidelines approved by the FIL Head of Treasury. Surplus cash is carefully considered for placement with liquidity funds (all AAAM and/or Aaa/mf) to improve credit risk exposure and reduce direct exposures to banks. Cash balances are held only with banks and liquidity funds with whom the FHL group has strong, well-established relationships. Counterparty limits are used to manage the counterparty exposure. Internal ratings are maintained by the Fidelity Counterparty Research & Analytics Group.

Liquidity risk

The liquidity risk policy requires the FHL group to maintain a framework for the management of liquidity risk which ensures that the group and company have sufficient surplus liquid resources to meet operational, legal and regulatory requirements.

Authority is delegated by the company and other FHL group boards to the Treasurer Europe and the UK Chief Financial Officer to carry out the day-to-day monitoring, management and reporting of the FHL group liquidity, ensuring that it complies at all times with FHL group regulatory and other requirements.

The European Risk Oversight Committee has been appointed to review the FHL risk management policy, ensuring that the liquidity risk management policy is coordinated and integrated within the FHL group.

European Union Capital Requirement Directive - Pillar 3 Disclosure

In accordance with the FSA requirements of BIPRU Chapter 11, 'Disclosure (Pillar 3)', the company is required to publish further information to allow external parties to assess the capital adequacy of the organisation. This disclosure is required to be on the basis of the consolidated financial situation of the EEA parent financial holding company, which is FIL Holdings Limited. The Pillar 3 report is available on the Fidelity Worldwide Investment website www.fidelity.co.uk.

Qualifying third party pension scheme indemnity provision

The directors of the company have the benefit of indemnities in relation to the company or an associated company which are qualifying third party indemnity provisions and qualifying pension scheme indemnity provisions, as defined by Sections 234 and 235 of the Companies Act 2006. In addition, during the year and at the date of approving this Directors' Report, the company has maintained liability insurance for directors.

Directors

The directors of the company during the year and up to the date of signing the financial statements are listed below.

A Morris

L R Robinson

P J Shea

A L Jones

G Shaughnessy

(resigned 5 March 2012)

(resigned 27 March 2012)

FIL INVESTMENT SERVICES (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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, 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

Disclosure of information to auditors

So far as the directors are aware there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) 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.

Independent 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.

On behalf of the board



P Shea
Director
2 October 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIL INVESTMENT SERVICES (UK) LIMITED

We have audited the financial statements of FIL Investment Services (UK) Limited for the year ended 30 June 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Mark Pugh (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 October 2012

FIL INVESTMENT SERVICES (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 £000	2011 £000
Turnover	2	287,395	328,802
Cost of sales		(228,191)	(253,374)
Gross profit		59,204	75,428
Administrative expenses		(51,943)	(71,801)
Operating profit		7,261	3,627
Interest receivable and similar income	3	309	335
Profit on ordinary activities before taxation	5	7,570	3,962
Taxation on profit on ordinary activities	6	(1,386)	(797)
Profit for the financial year	14	6,184	3,165

All operations are 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 profit for the financial year stated above and their historical cost equivalents

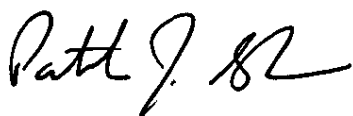
The notes on pages 7 to 12 form part of these financial statements

FIL INVESTMENT SERVICES (UK) LIMITED

BALANCE SHEET AS AT 30 JUNE 2012

	Note	2012 £000	2011 £000
Fixed assets			
Investments in group undertakings	8	-	-
Current assets			
Stock	9	1,002	642
Debtors amounts falling due within one year	10	115,710	188,855
Investments	11	46,319	60,788
Cash at bank and in hand		-	14,190
		163,031	264,475
Creditors amounts falling due within one year	12	(111,711)	(207,339)
Net assets		51,320	57,136
Capital and reserves			
Called up share capital	13	100	100
Capital contribution	14	32,714	32,714
Profit and loss account	14	18,506	24,322
Total shareholders' funds	15	51,320	57,136

The financial statements on pages 5 to 12 were approved by the board of directors and signed on its behalf by



P Shea
Director
FIL Investment Services (UK) Limited
Registered number. 2016555
2 October 2012

FIL INVESTMENT SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1 Principal accounting policies

1.1 Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

1.2 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, and
- ii) unit trust and OEIC management and administration fees and commissions receivable.

Revenues are recognised as earned.

1.3 Cost of sales

Cost of sales comprise:

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

1.4 Investments in group undertakings

Fixed asset investments are stated at cost less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of a potential impairment.

1.5 Current asset investments

Current asset investments include investments in mutual and collective funds and money market deposits. Current asset investments are stated at the lower of cost or net realisable value.

1.6 Stock

Stock consists of investments held in the manager's box. These 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.

1.7 Cash at bank and in hand

Cash at bank and in hand comprise cash in hand and deposits that are repayable on demand.

1.8 Foreign currencies

Monetary 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. Any translation differences are included in profit before taxation.

1.9 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid and final equity dividends when approved by the shareholders.

1.10 Pension scheme arrangements

Another group company, FIL Investment Management Limited ("FIML"), operates a self-administered defined contribution scheme in which eligible employees of the group headed by FHL and directors of the company participate. The company is allocated an amount of FIML's expense through an expense allocation. A full description of the plan is included in the FIML financial statements.

FIL INVESTMENT SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

1 Principal accounting policies (continued)

1.11 Deferred taxation

Deferred taxation is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable, and therefore recognised, only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred taxation is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis

2 Turnover

	2012 £000	2011 £000
Investment management fees	279,602	322,819
Income from unit dealing	4,093	2,763
Other income	3,700	3,220
	287,395	328,802

3 Interest receivable and similar income

	2012 £000	2011 £000
Bank interest receivable	309	335

4 Directors' emoluments

	2012 £000	2011 £000
<u>All directors</u>		
Aggregate emoluments	250	281
Company pension contributions to defined contribution schemes	21	22
	271	303

During the year retirement benefits were accruing to 5 directors (2011: 5) under a defined contribution scheme

As at 30 June 2012 there were no outstanding or prepaid contributions to the pension scheme (2011: £nil) in relation to directors

	2012 £000	2011 £000
<u>Highest paid director</u>		
Aggregate emoluments	105	109
Company pension contributions to defined contribution schemes	4	5
	109	114

FIL INVESTMENT SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

5 Profit on ordinary activities before taxation

	2012 £000	2011 £000
Profit on ordinary activities before taxation is stated after charging		
Sub-licence fee	10,101	16,440
Intra-group expense allocations	136,100	145,758
Foreign exchange loss	40	63

The company does not have any employees (2011 none)

Another FHL group company employs all staff. A number of operating expenses, including staff costs, have been initially paid by another FHL group company and allocated to the company.

Fees paid to the company's auditor, PricewaterhouseCoopers LLP, for services other than the statutory audit of the company are not disclosed in the company's financial statements since they are disclosed in the consolidated financial statements of FHL, which is required to disclose non-audit fees on a consolidated basis. Auditors' remuneration for audit and non-audit services has been borne by FIML.

The audit fees for the company are £56,587 (2011 £61,535)

6 Taxation on profit on ordinary activities

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

	2012 £000	2011 £000
<i>Current taxation</i>		
UK corporation tax on profit for the year	-	777
Amount payable to fellow group companies in respect of group relief	1,419	-
Adjustments in respect of amounts payable to fellow group companies for prior years group relief	109	(2,996)
Adjustments in respect of prior years	(134)	3,016
Total current taxation	1,394	797
<i>Deferred taxation</i>		
Origination and reversal of timing differences	(8)	-
Taxation on profit on ordinary activities	1,386	797

b) The taxation assessed for the year is lower (2011 lower) than the standard rate of corporation taxation in the UK. Factors affecting the tax charge are explained below

	2012 £000	2011 £000
Profit on ordinary activities before taxation	7,570	3,962
Profit on ordinary activities multiplied by the standard rate of UK corporation tax at 25.5% (2011 27.5%)	1,930	1,090
<i>Effects of</i>		
Compensating adjustments	(511)	(313)
Adjustments in respect of amounts payable to fellow group companies for prior years group relief	109	(2,996)
Adjustments in respect of prior years	(134)	3,016
Current taxation charge for the year	1,394	797

In 2012 the company claimed losses of £5,565,223 (2011 £nil) as group relief from fellow group companies for consideration of £1,419,132 (2011 £nil)

FIL INVESTMENT SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

6 Taxation on profit on ordinary activities (continued)

c) The movement on the deferred tax asset is as follows

	2012 £'000	2011 £'000
At 1 July	-	-
Deferred tax credit in profit and loss account for the year	8	-
At 30 June	8	-

d) The deferred tax asset consists of

	2012 £'000	2011 £'000
Short term timing differences	8	-

7 Dividends

	2012 £000	2011 £000
<i>Equity - Ordinary</i>		
Interim paid £120 00 (2011 £286 60) per £1 share	12,000	28,660

The directors have not proposed a final dividend for the year ended 30 June 2012 (2011 £nil)

8 Investments in group undertakings

FIL Europe Limited, a dormant undertaking in which the company held a 50% interest at a cost of £1 throughout the prior year, was dissolved on 24 January 2012

9 Stock

	2012 £000	2011 £000
Stocks of fund holdings	1,002	642

10 Debtors amounts falling due within one year

	2012 £000	2011 £000
Trade debtors - customers and funds	93,130	163,790
Other debtors	21,641	24,853
Corporation tax	348	-
Deferred tax asset	8	-
Amounts owed by group undertakings	583	212
	115,710	188,855

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment

11 Current asset investments

	2012 £000	2011 £000
Mutual and collective fund investments	46,319	60,788

FIL INVESTMENT SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

12 Creditors amounts falling due within one year

	2012 £000	2011 £000
Bank overdrafts	16,796	-
Trade creditors - customers and funds	61,546	158,469
Amounts owed to group undertakings	17,162	27,562
Other creditors	16,033	18,062
Other taxation & social security	174	259
Corporation tax	-	2,987
	111,711	207,339

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

13 Called up share capital

	2012 £000	2011 £000
<i>Authorised, allotted and fully paid</i> 100,000 Ordinary £1 shares	100	100

14 Reserves

	Capital contribution £000	Profit and loss account £000	Total £000
At 1 July 2011	32,714	24,322	57,036
Profit for the financial year	-	6,184	6,184
Dividends	-	(12,000)	(12,000)
At 30 June 2012	32,714	18,506	51,220

15 Reconciliation of movement in shareholders' funds

	2012 £000	2011 £000
Profit for the financial year	6,184	3,165
Dividends	(12,000)	(28,660)
Net movement in shareholders' funds	(5,816)	(25,495)
Opening shareholders' funds	57,136	82,631
Closing shareholders' funds	51,320	57,136

16 Contingent liabilities and guarantees

The company, along with certain other FHL group companies and FIL Property Company Limited, 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. The bank facility is secured by way of a cross guarantee between the companies in the netting agreement.

As at 30 June 2012 the net bank balance on FHL group bank accounts held within the arrangement was a net overdraft balance of £6,727,000 (2011 £3,593,000). At 30 June 2012 overdraft interest was charged at the Barclays Bank base rate plus 1.35%.

FIL INVESTMENT SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

17 Cash flow statement and related party transactions

The company has taken advantage of the exemption available under paragraph 3 of FRS 8, "Related party disclosures", from disclosing transactions with entities that are part of the FHL group and where the entities are wholly owned by a member of that group. Exemption has also been taken from preparing a cash flow statement under the terms of FRS 1 (revised 1996), "Cash flow statements", as the entity is a subsidiary undertaking where 100% of the voting rights are controlled within the group. The consolidated financial statements of FIL Holdings Limited, in which the company is included, are publicly available.

The company is regarded under FRS 8 as a related party with the underlying OEICs and Unit Trusts that it manages by virtue of the influence it has over their operations. Amounts paid to the company in respect of investment management and administration fees totalled £276,014,553 (2011: £319,382,356) for the year and amounts due at 30 June 2012 are £21,492,830 (2011: £24,818,084).

18 Ultimate parent undertaking and controlling party

The immediate parent undertaking is FIL Holdings Limited, a company registered in England and Wales. This is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 30 June 2012. The consolidated financial statements of FIL Holdings Limited may be obtained from The Company Secretary, FIL Administration Limited, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent, TN11 9DZ.

The ultimate parent undertaking and controlling party is FIL Limited, a company incorporated in Bermuda. FIL Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements.