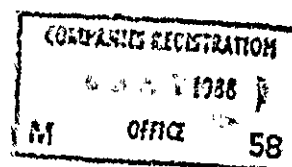


FIDELITY INVESTMENT SERVICES LIMITED

REPORT OF THE DIRECTORS AND STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 1987



FIDELITY INVESTMENT SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1987

- 1 The directors submit their annual report and accounts for the year ended 30 June 1987 to be presented to the annual general meeting of the company.

Review of activities

- 2 The company acquired the net assets and trading activity of Fidelity International Management Limited with effect from the close of business on 30 June 1986. The company did not trade during the year to 30 June 1986. The principal activity of the company is the management of Authorised Unit Trusts.

Results for the year

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

Dividends

- 4 The directors do not recommend the payment of a dividend.

Directors

- 5 The directors of the company at 30 June 1987, 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
R K Timberlake
A J Ainsworth
B R J Bateman
M E Blair
A J Bolton
M H Cohen - resigned 13 January 1988
G D Tsergas
D E Harrison
E M Boyle - appointed 1 February 1987
S R Newman - appointed 2 March 1987
M S Warner - appointed 5 May 1987
J J Turner - appointed 15 June 1987
G F Nutter - appointed 26 June 1987
P G Forsyth - appointed 1 January 1987 and resigned 1 October 1987

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1987 - Continued

Since the year end the following directors have been appointed:

A P Thomas - appointed 6 July 1987
 G Lowe - appointed 1 August 1987
 P J Pleydell-Bouverie - appointed 1 August 1987
 B R Russell - appointed 1 August 1987
 M A F Shenfield - appointed 1 August 1987
 M A Wrobel - appointed 1 August 1987
 S E Whittaker - appointed 1 August 1987
 G R Moreno - appointed 1 September 1987
 M P Cambridge - appointed 11 September 1987
 P J Holland - appointed 1 October 1987
 R J Kelly - appointed 1 October 1987
 J H Smith - appointed 18 December 1987

J A W Smith, who was a director at 1 July 1986, resigned on 29 May 1987. P A Jeffreys, who was a director at 1 July 1986, resigned on 1 October 1986.

Fixed assets

- 6 The changes in fixed assets are set out in note 8 to the accounts,

Directors' interests in shares

- 7 No directors had any interest in the shares of the company at 30 June 1987.

The interests of the directors in the shares of the holding company at 30 June, according to the register required to be kept by Section 325 of the Companies Act 1985 were as follows:

	30 June 1987	1 July 1986
	<u>'D' ordinary shares</u>	<u>'D' ordinary shares</u>
A J Ainsworth	2,000	1,500
M E Blair	700	700
M H Cohen	1,200	1,200
G D Tsergas	800	500
D E Harrison	500	500
E M Boyle - appointed 1 February 1987	800	300
P G Forsyth - appointed 1 January 1987 resigned 1 October 1987	1,000	600

The interests of the other directors in the shares of the holding company are disclosed in that company.

FIDELITY INVESTMENT SERVICES LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1987 - Continued

Share capital

- 8 50,000 shares were issued on 20 November 1986 to the company's parent company Fidelity International Management Holdings Limited for a consideration of £50,000 to increase the holding company's stake in the company.

Close company provisions

- 9 As far as the directors are aware the close company provisions of the Income and Corporation Taxes Act 1970, as amended, apply to the company. There has been no change in this respect since the end of the financial year.

Auditors

- 10 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:

River Walk
Tonbridge
Kent
TN9 1DY

FIDELITY INVESTMENT SERVICES LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the accounts on pages 5 to 15 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 30 June 1987 and of the profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Coopers & Lybrand

COOPERS & LYBRAND

Maidstone, 30 March 1988

Chartered Accountants

FIDELITY INVESTMENT SERVICES LIMITED

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1987

	<u>Notes</u>	<u>1987</u> £'000	<u>1986</u> £'000
Turnover	1	557,793	-
Cost of sales		513,014	-
Gross profit		<u>44,779</u>	-
Net operating expenses		43,649	-
Operating profit	2	<u>1,130</u>	-
Other income	5	366	-
Interest payable and similar charges	6	(65)	-
Profit before taxation		<u>1,431</u>	-
Tax on profit on ordinary activities	7	633	-
Retained profit for the year		<u>798</u>	-
		<u>==</u>	<u>==</u>

STATEMENT OF RETAINED PROFITS

Retained profits brought forward	-	-
Retained profit for the year	798	-
Retained profits carried forward	<u>798</u>	<u>-</u>
	<u>==</u>	<u>==</u>

The notes on pages 8 to 15 form part of these accounts
Auditors' report - page 4

FIDELITY INVESTMENT SERVICES LIMITED

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BALANCE SHEET - 30 JUNE 1987

	Notes	£'000	1987 £'000	£'000	1986 £'000
FIXED ASSETS					
Tangible assets	8		2,577		1,933
CURRENT ASSETS					
Stock of units		2,600		3,308	
Debtors	9	57,342		10,910	
Cash at bank and in hand		5,763		4,414	
		<u>65,705</u>		<u>18,632</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(67,004)		(20,245)	
NET CURRENT LIABILITIES			(1,299)		(1,613)
Total assets less current liabilities			<u>1,278</u>		<u>320</u>
PROVISION FOR LIABILITIES AND CHARGES					
Deferred taxation	7		(380)		(270)
			<u>898</u>		<u>50</u>
CAPITAL AND RESERVES					
Called up share capital	12		100		50
Profit and loss account			798		-
			<u>898</u>		<u>50</u>

These accounts were approved by the board on 30 MARCH 1988

G R Moreno

)

Directors

B R J Bateman

)

The notes on pages 8 to 15 form part of these accounts
Auditors' report - page 4

FIDELITY INVESTMENT SERVICES LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 30 JUNE
1987

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	£'000	1987 £'000	£'000	1986 £'000
SOURCE OF FUNDS				
Profit before taxation		1,431		-
Adjustment for items not involving the movement of funds:				
Depreciation	889		-	
Profit on sale of fixed assets	(17)		-	
		872		-
TOTAL FROM OPERATIONS		2,303		-
FUNDS FROM OTHER SOURCES				
Consideration for issues of shares	50		-	
Sales of fixed assets	108		-	
Transfers of fixed assets to group companies	5,333		-	
		5,491		-
TOTAL SOURCES OF FUNDS		7,794		-
APPLICATION OF FUNDS				
Purchase of fixed assets	(6,957)		-	
Tax paid on franked investment income	(258)		-	
TOTAL APPLICATION OF FUNDS		(7,215)		-
INCREASE IN WORKING CAPITAL		579		-
Represented by:				
Decrease in stock of units	(708)		-	
Increase in debtors and prepayments	35,165		-	
Increase in balance due from group companies	274		-	
Increase in creditors (excluding taxation)	(32,488)		-	
		2,243		-
Movement in net liquid funds:				
Increase in bank balance	1,349		-	
(Increase) in bank overdraft	(3,013)		-	
		(1,664)		-
		579		-

The notes on pages 8 to 15 form part of these accounts
Auditors' report - page 4

FIDELITY INVESTMENT SERVICES LIMITED

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NOTES TO THE ACCOUNTS - 30 JUNE 1987

Principal accounting policies

- 1 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 rates used for this purpose are as follows:

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. Freehold property is not depreciated.

c) Turnover

Turnover which excludes value added tax comprises:

- i) Sale proceeds of units less discounts given;
- ii) Unit trust management fees and commissions received and receivable.
- iii) Other non 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 Trustees 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.

e) 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.

NOTES TO THE ACCOUNTS - 30 JUNE 1987 - Continuedf) 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

Up to 30 June 1986 the group pension scheme was externally funded. Payments made to the fund and charged annually to these accounts as part of employment costs are estimates based on actuarial advice. On 30 June 1986 all pension fund assets and liabilities were transferred into a new self-administered scheme providing the same benefits. The fund will be actuarially valued after three years.

Operating profit

- 2 Operating profit is stated after charging:

	<u>1987</u> £'000	<u>1986</u> £'000
Depreciation	889	-
Auditors' remuneration	29	-
Operating lease charges:		
Computer and office equipment	397	-
	<u> </u>	<u> </u>

Directors' emoluments

- 3 Emoluments of directors (including pension contributions):

	<u>1987</u> £	<u>1986</u> £
For management services	864,360	-
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS - 30 JUNE 1987 - ContinuedDirectors' 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>1987</u>	<u>1986</u>
	£	£
Emoluments of the highest paid director	138,455	-

Number of other directors whose emoluments were within the ranges:

	<u>1987</u>	<u>1986</u>
Up to - £ 5,000	5	11
£ 5,001 - £ 10,000	1	-
£ 10,001 - £ 15,000	1	-
£ 15,001 - £ 20,000	1	-
£ 20,001 - £ 25,000	2	-
£ 25,001 - £ 30,000	1	-
£ 30,001 - £ 35,000	2	-
£ 35,001 - £ 40,000	2	-
£ 40,001 - £ 45,000	1	-
£ 45,001 - £ 50,000	1	-
£ 50,001 - £ 55,000	1	-
£ 55,001 - £ 60,000	1	-
£ 60,001 - £ 65,000	1	-
£ 65,001 - £ 70,000	1	-
£ 70,001 - £ 75,000	1	-
£ 75,001 - £ 80,000	1	-
£ 80,001 - £ 85,000	1	-
£ 85,001 - £ 90,000	1	-
£ 90,001 - £ 95,000	1	-
£ 95,001 - £ 100,000	1	-
£ 100,001 - £ 105,000	1	-
£ 105,001 - £ 110,000	1	-
£ 110,001 - £ 115,000	1	-
£ 115,001 - £ 120,000	1	-
£ 120,001 - £ 125,000	1	-
£ 125,001 - £ 130,000	1	-
£ 130,001 - £ 135,000	1	-
£ 135,001 - £ 140,000	1	-

Employee information

- 4 a) The average number of persons employed by the company during the year, including executive directors, was 173 (1986 - nil).
- b) The aggregate amounts payable for the year for all employees including executive directors was:

	<u>1987</u>	<u>1986</u>
	£'000	£'000
Salaries	3,067	-
Social security costs	300	-
Pension contributions (see note 18)	210	-
	<u>3,577</u>	<u>-</u>

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

	<u>1987</u>	<u>1986</u>
£30,001 - £35,000	2	-
£35,001 - £40,000	4	-
£40,001 - £45,000	1	-
£45,001 - £50,000	-	-
£50,001 - £55,000	2	-
£55,001 - £60,000	-	-
£60,001 - £65,000	1	-
£65,001 - £70,000	2	-
£70,001 - £75,000	2	-
£75,001 - £80,000	1	-

NOTES TO THE ACCOUNTS 30 JUNE 1987 - ContinuedOther income

5	<u>1987</u> £'000	<u>1986</u> £'000
Interest received	214	-
Income receivable under operating leases	127	-
Other income	25	-
	<u>366</u>	<u>-</u>

Interest payable and similar charges

- 6 Interest payable and similar charges represents interest payable on bank overdrafts.

Tax

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

	<u>1987</u> £'000	<u>1986</u> £'000
On the profit for the year:		
UK Corporation Tax at 35%	265	-
Tax on franked investment income received	258	-
Transfer to deferred taxation	110	-
	<u>633</u>	<u>-</u>

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

	<u>£'000</u>
At 1 July 1986	270
Transfer from profit and loss account	110
At 30 June 1987	<u>380</u>

NOTES TO THE ACCOUNTS 30 JUNE 1987 - ContinuedTax - continued

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

	Provision made £'000	1987 Full potential liability £'000	Provision made £'000	1986 Full potential liability £'000
Accelerated capital allowances	148	148	265	265
Other timing differences	232	232	5	5
	<u>380</u>	<u>380</u>	<u>270</u>	<u>270</u>

Tangible assets

8	Freehold property £'000	Leasehold improvements £'000	Office equipment £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost at 1 July 1986	-	269	485	1,577	487	384	3,202
Additions	5,081	425	240	-	520	691	6,957
Disposals	-	-	-	(52)	(4)	(68)	(124)
Transfer to group company(5,081)	-	-	-	(605)	-	-	(5,686)
At 30 June 1987	<u>-</u>	<u>694</u>	<u>725</u>	<u>920</u>	<u>1,003</u>	<u>1,007</u>	<u>4,249</u>
Depreciation at 1 July 1986	-	138	176	575	200	180	1,269
Charge for the period	-	58	149	431	85	166	889
On disposals	-	-	-	(33)	-	-	(33)
Transfer to group company	-	-	-	(353)	-	-	(353)
At 30 June 1987	<u>-</u>	<u>196</u>	<u>325</u>	<u>620</u>	<u>285</u>	<u>346</u>	<u>1,772</u>
Net book value at 30 June 1987	<u>-</u>	<u>498</u>	<u>400</u>	<u>300</u>	<u>718</u>	<u>661</u>	<u>2,577</u>
Net book value at 30 June 1986	<u>-</u>	<u>131</u>	<u>309</u>	<u>1,002</u>	<u>287</u>	<u>204</u>	<u>1,933</u>

All computer equipment disclosed above is leased out to a fellow subsidiary by means of non-cancellable operating leases.

FIDELITY INVESTMENT SERVICES LIMITED

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NOTES TO THE ACCOUNTS - 30 JUNE 1987 - Continued

9	<u>Debtors</u>	<u>1987</u>	<u>1986</u>
		£'000	£'000
	Trade debtors	42,574	10,619
	Prepayments and accrued income	1,215	291
	Amount owed by group companies -		
	Fellow subsidiaries	11,267	-
	Other debtors	2,286	-
		<u>57,342</u>	<u>10,910</u>

Creditors: amounts falling due within one year

10		<u>1987</u>	<u>1986</u>
		£'000	£'000
	Trade creditors	45,074	15,809
	Amount owed to group companies -		
	Holding company and fellow subsidiaries	11,134	141
	Other creditors including taxation and		
	social security (note 11)	2,501	193
	Accruals	2,295	1,115
	Bank overdraft	6,000	2,987
		<u>67,004</u>	<u>20,245</u>

Other creditors including taxation and social security

11		<u>1987</u>	<u>1986</u>
		£'000	£'000
	Income tax	60	-
	PAYE and social security	401	55
	VAT	-	60
	Other creditors	1,775	78
	UK corporation tax payable 1 April	265	-
		<u>2,501</u>	<u>193</u>

FIDELITY INVESTMENT SERVICES LIMITED

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NOTES TO THE ACCOUNTS - 30 JUNE 1987 - Continued

Share capital

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	<u>1987</u>		<u>1986</u>	
	<u>Authorised</u>	<u>Issued and</u>	<u>Authorised</u>	<u>Issued and</u>
	<u>£</u>	<u>fully paid</u>	<u>£</u>	<u>fully paid</u>
		<u>£</u>		<u>£</u>
Ordinary shares of £1 each	100,000	100,000	50,000	50,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

50,000 ordinary shares of £1 each were issued for aggregate consideration of £50,000 and fully paid on 20 November 1986.

The shares were issued to increase the holding company's stake in the company.

Contingent liabilities

- 13 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 1987 there were no relevant liabilities.

Capital commitments

- 14 There were no outstanding capital commitments at 30 June 1987 (1986 - Nil).

Financial commitments in respect of operating leases

- 15 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</u> <u>land and</u> <u>buildings</u> <u>£'000</u>
Within 1 year	100
Between 2 and 5 years	180
Thereafter	955
	<u> </u>
	<u>1,235</u>
	<u> </u>

NOTES TO THE ACCOUNTS - 30 JUNE 1987 - Continued

Holding company

- 16 The company's share capital is 100% owned by Fidelity International Management Holdings Limited, a company incorporated in the United Kingdom. The ultimate holding company is Fidelity International Limited, which is incorporated in Bermuda.