

**FIDELITY INVESTMENT SERVICES  
LIMITED**

**(Registered no: 2016555)**

**Annual Report  
for the year ended 30 June 1996**

**96FISL**



## **FIDELITY INVESTMENT SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1996**

The directors submit their annual report and financial statements for the year ended 30 June 1996 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 enhanced 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**

The directors do not recommend the payment of a dividend.

#### **Directors**

The directors of the company during the year ended 30 June 1996, all of whom have been directors for the whole year, unless otherwise stated, are listed below:

E C Johnson 3rd	(Chairman)
B R J Bateman	
M E Blair	(resigned 22 December 1995)
A J Bolton	
E M Boyle	
M P Cambridge	
T M Chellew	(resigned 7 July 1995)
G S Clapp	
P G Edwards	
S J Fraser	
S M Haslam	(appointed 8 January 1996)
P J Holland	
P J Pleydell-Bouverie	(resigned 29 March 1996)
R M Sylvain	
P D Talbot	
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 1996 - continued**

**Directors' interests in shares**

The interests of E C Johnson 3rd in Fidelity International Investment Advisors (UK) Limited are disclosed in the accounts of the immediate parent company, Fidelity Investment Management Limited.

No other 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 £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**  
**2 September 1996**

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 1996. 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 black ink, appearing to be 'S M Haslam', written over a horizontal line.

**S M Haslam  
Company Secretary  
2 September 1996**

## **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 13.

#### **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.

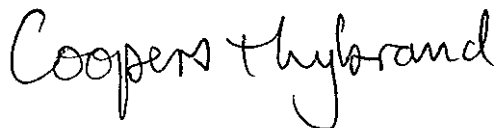
#### **Basis of opinion**

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 1996 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**  
**2 September 1996**

**FIDELITY INVESTMENT SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1996**

	<u>Notes</u>	<u>1996</u> £'000	<u>1995</u> £'000
<b>Turnover</b>		<b>49,321</b>	43,188
Cost of sales		<b>(13,862)</b>	(10,753)
		-----	-----
<b>Gross profit</b>		<b>35,459</b>	32,435
Administrative expenses		<b>(33,921)</b>	(31,864)
		-----	-----
<b>Operating profit</b>		<b>1,538</b>	571
Interest receivable and similar income	3	<b>163</b>	156
Interest payable and similar charges	4	<b>(20)</b>	(115)
		-----	-----
<b>Profit on ordinary activities before taxation</b>	5	<b>1,681</b>	612
Taxation on ordinary activities	6	<b>(371)</b>	145
		-----	-----
<b>Profit on ordinary activities after taxation</b>		<b>1,310</b>	757
Accumulated profits/(losses) brought forward		<b>98</b>	(659)
		-----	-----
<b>Retained profits carried forward</b>		<b>1,408</b>	98
		=====	=====

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 13 form part of these financial statements

**FIDELITY INVESTMENT SERVICES LIMITED**

**BALANCE SHEET - 30 JUNE 1996**

	<u>Notes</u>	<u>1996</u> £'000	<u>1995</u> £'000
<b>Current assets</b>			
Stock of units	1(c)	340	254
Debtors: amounts falling due within one year	7	112,696	9,535
Cash at bank and in hand	13(b)	20,995	25,802
		-----	-----
		134,031	35,591
<b>Creditors:</b> amounts falling due within one year	8	(124,809)	(27,679)
		-----	-----
<b>Net assets</b>		<b>9,222</b>	<b>7,912</b>
		=====	=====
<b>Capital and reserves</b>			
Called up share capital	10	100	100
Capital contribution		7,714	7,714
Profit and loss account		1,408	98
		-----	-----
<b>Equity shareholders' funds</b>	11	<b>9,222</b>	<b>7,912</b>
		=====	=====

The financial statements on pages 5 to 13 were approved by the Board of Directors on 2 September 1996 and were signed on its behalf by



**S M Haslam**  
Director

The notes on pages 7 to 13 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) 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.

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

#### 1 Principal accounting policies - continued

##### f) Cashflow statement

The company is a wholly owned subsidiary of Fidelity Investment Management Limited and the cash flows of the company are included in the consolidated group cash flow statement of Fidelity Investment Management Limited. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from producing a cash flow statement.

#### 2 Directors' emoluments

Emoluments of directors (including pension contributions):

	<u>1996</u> £'000	<u>1995</u> £'000
For management services	1,520	2,083
Compensation for loss of office	92	171
	-----	-----
	<u>1,612</u>	<u>2,254</u>
	=====	=====

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	<u>1996</u> £'000	<u>1995</u> £'000
The chairman	-	-
The highest paid director	251	394
	===	===

**FIDELITY INVESTMENT SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**2 Directors' emoluments - continued**

The number of directors (including the chairman and highest paid director) who received fees and other emoluments (excluding pension contributions) in each of the following ranges was:

			<u>1996</u>	<u>1995</u>
Up to	-	£ 5,000	2	4
£ 5,001	-	£ 10,000	1	-
£ 10,001	-	£ 15,000	-	2
£ 20,001	-	£ 25,000	-	1
£ 25,001	-	£ 30,000	2	-
£ 30,001	-	£ 35,000	1	1
£ 35,001	-	£ 40,000	1	-
£ 40,001	-	£ 45,000	1	-
£ 50,001	-	£ 55,000	-	3
£ 55,001	-	£ 60,000	-	2
£ 60,001	-	£ 65,000	1	-
£ 65,001	-	£ 70,000	1	-
£ 75,001	-	£ 80,000	-	1
£ 90,001	-	£ 95,000	1	-
£ 120,001	-	£ 125,000	-	2
£ 130,001	-	£ 135,000	-	1
£ 140,001	-	£ 145,000	-	1
£ 160,001	-	£ 165,000	-	1
£ 170,001	-	£ 175,000	1	-
£ 175,001	-	£ 180,000	1	-
£ 185,001	-	£ 190,000	1	-
£ 200,001	-	£ 205,000	-	1
£ 205,001	-	£ 210,000	1	-
£ 215,001	-	£ 220,000	-	1
£ 250,001	-	£ 255,000	1	-
£ 390,001	-	£ 395,000	-	1

**FIDELITY INVESTMENT SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**3 Interest receivable and similar income**

	<u>1996</u> £'000	<u>1995</u> £'000
Interest receivable on tax repayments	-	2
Other interest receivable	163	154
	-----	-----
	163	156
	=====	===

**4 Interest payable and similar charges**

	<u>1996</u> £'000	<u>1995</u> £'000
On bank loans, overdrafts and other loans	20	113
On overdue taxation	-	2
	-----	-----
	20	115
	=====	===

**5 Profit on ordinary activities before tax**

Profit on ordinary activities before tax is stated after charging:

	<u>1996</u> £'000	<u>1995</u> £'000
Auditors' remuneration for audit services	47	55
Auditors' remuneration for other services	4	652

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

During 1995 the average number of persons employed by the company was 629. The aggregate amounts payable for 1995 for all employees including directors were: Salaries £26,227,000; Social Security costs £2,395,000 and Pension contributions £1,847,000.

# **FIDELITY INVESTMENT SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - Continued**

### **6 Taxation**

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

	<u>1996</u> £'000	<u>1995</u> £'000
Tax on franked investment income	399	312
Overprovision in prior years	(28)	(457)
	-----	-----
	<b>371</b>	<b>(145)</b>
	=====	=====

- b) No provision has been made for deferred taxation as it is not considered that a potential liability exists.

### **7 Debtors: amounts falling due within one year**

	<u>1996</u> £'000	<u>1995</u> £'000
Trade debtors	111,817	7,729
Other debtors	879	682
Prepayments and accrued income	-	1,124
	-----	-----
	<b>112,696</b>	<b>9,535</b>
	=====	=====

### **8 Creditors: amounts falling due within one year**

	<u>1996</u> £'000	<u>1995</u> £'000
Trade creditors	109,683	7,738
Amount owed to group undertakings	12,362	3,511
Other creditors including taxation and social security (note 9)	1,747	2,732
Accruals and deferred income	1,017	13,698
	-----	-----
	<b>124,809</b>	<b>27,679</b>
	=====	=====

**FIDELITY INVESTMENT SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**9 Other creditors including taxation and social security**

	<u>1996</u> £'000	<u>1995</u> £'000
Corporation tax	-	15
PAYE and social security	-	840
VAT	151	540
Other creditors	1,596	1,337
	-----	-----
	1,747	2,732
	=====	=====

**10 Called up share capital**

	<u>1996</u> Authorised, issued, called up and fully paid	<u>1995</u> Authorised, issued, called up and fully paid
100,000 Ordinary shares of £1 each	£100,000	£100,000
	=====	=====

**11 Reconciliation of movements in shareholders' funds**

	<u>1996</u> £'000	<u>1995</u> £'000
Profit for financial year	1,310	757
Opening shareholders' funds	7,912	7,155
	-----	-----
Closing shareholders' funds	9,222	7,912
	=====	=====

**12 Capital commitments**

There were no capital commitments at 30 June 1996 (1995: nil).

## **FIDELITY INVESTMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - Continued**

#### **13 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 1996, of the £20,995,000 cash at bank and in hand, £16,993,000 was held within the grouping arrangement. At the same date the net bank overdraft on group accounts held within the arrangement was £2,676,000 (1995 net bank overdraft: £1,087,000). 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.

#### **14 Holding company**

The immediate holding company, for which consolidated accounts are prepared, is Fidelity Investment Management Limited, a company registered in England and Wales. Copies of the immediate holding company's consolidated financial statements may be obtained from the Secretary, Fidelity Investment Management Limited, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent, TN11 9DZ.

The ultimate holding company is Fidelity International Limited, which is incorporated in Bermuda.