

**FIDELITY INVESTMENT MANAGEMENT
LIMITED**

(Registered no : 2349713)

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

97FIML



FIDELITY INVESTMENT MANAGEMENT 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 at the annual general meeting of the company.

Principal activities

The company acts as a group holding company and provides administration and other services to group members. The group will continue to be actively involved in the management and distribution of unit trusts, Fidelity Funds and Fidelity Money Funds and the management of pension funds.

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 group. Repetition of this level of profits in future years will continue to be dependent on market strength and investor confidence.

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

Dividends

During the year the directors proposed and paid a dividend of £11,000,000.

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)
B R J Bateman
A J Bolton
M P Cambridge
S M Haslam

No director had a beneficial interest in any of the contracts of the group during the year.

Fixed assets

In the opinion of the directors there is no difference of significance to the shareholders between the market value and the book value of the group's freehold properties at 30 June 1997.

FIDELITY INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT - Continued

Directors' interests in shares

No director had any disclosable interest in the shares of the company or its subsidiaries at any time during the year.

Employees

There are no formal policies for consultation with employees on matters likely to affect their interests; however, information of concern to employees is given in regular information bulletins. Involvement of employees in the group's performance is encouraged by means of a performance related bonus and through the participation of certain employees as shareholders in the ultimate holding company.

The group's policy is to employ disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Arrangements would be made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

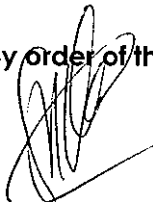
Charitable contributions

During the year, the group 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
3 October 1997

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

FIDELITY INVESTMENT MANAGEMENT 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 and the group as at the end of the financial year and of the profit or loss of the group 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 of the group, 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
3 October 1997**

FIDELITY INVESTMENT MANAGEMENT LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF FIDELITY INVESTMENT MANAGEMENT LIMITED

We have audited the financial statements on pages 5 to 23.

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.

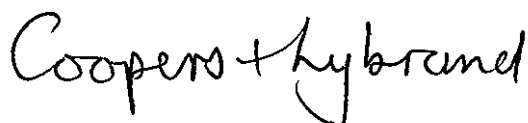
Basis of opinion

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 have 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 and the group at 30 June 1997 and of the profit, total recognised gains and cash flows of the group 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
3 October 1997

FIDELITY INVESTMENT MANAGEMENT LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
30 JUNE 1997**

| | <u>Notes</u> | <u>1997</u> £'000 | <u>1996</u> £'000 |
|--|--------------|----------------------|----------------------|
| Turnover | | 125,666 | 96,530 |
| Cost of sales | | (26,294) | (17,103) |
| | | ----- | ----- |
| Gross profit | | 99,372 | 79,427 |
| Administrative expenses | | (92,058) | (73,891) |
| Amortisation of goodwill | 6 | (1,051) | (1,051) |
| | | ----- | ----- |
| Operating profit | | 6,263 | 4,485 |
| Interest receivable | | 713 | 495 |
| Interest payable | | (365) | (480) |
| | | ----- | ----- |
| Profit on ordinary activities before taxation | 4 | 6,611 | 4,500 |
| Tax on ordinary activities | 5 | (4,324) | (2,434) |
| | | ----- | ----- |
| Profit on ordinary activities after taxation | | 2,287 | 2,066 |
| Minority interests | | (8) | (39) |
| Dividends paid | | (11,000) | - |
| | | ----- | ----- |
| Retained (loss)/profit for the year | | (8,721) | 2,027 |
| | | ===== | ===== |

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.

All businesses are regarded as continuing.

The notes on pages 9 to 23 form part of these financial statements.

FIDELITY INVESTMENT MANAGEMENT LIMITED

BALANCE SHEETS AT 30 JUNE 1997

| | Notes | Group | | Company | |
|--|-------|---------------|---------------|---------------|---------------|
| | | 1997 £'000 | 1996 £'000 | 1997 £'000 | 1996 £'000 |
| Fixed assets | | | | | |
| Intangible assets | 6 | 12,610 | 13,661 | - | - |
| Tangible assets | 7 | 36,395 | 36,583 | - | - |
| Interests in group undertakings | 8 | - | - | 42,488 | 42,421 |
| | | ----- | ----- | ----- | ----- |
| | | 49,005 | 50,244 | 42,488 | 42,421 |
| | | ----- | ----- | ----- | ----- |
| Current assets | | | | | |
| Stock of units | | 400 | 340 | - | - |
| Debtors: amounts falling due within one year | 9 | 63,192 | 121,744 | 18,961 | 21,094 |
| Debtors: amounts falling due after more than one year | 10 | - | - | 7,500 | - |
| Investments | 11 | - | 90 | - | - |
| Cash at bank and in hand | 12 | 14,163 | 7,586 | 4,181 | 1,847 |
| | | ----- | ----- | ----- | ----- |
| | | 77,755 | 129,760 | 30,642 | 22,941 |
| | | ----- | ----- | ----- | ----- |
| Creditors: amounts falling due within one year | 13 | (99,006) | (141,538) | (36,767) | (23,517) |
| | | ----- | ----- | ----- | ----- |
| Net current (liabilities)/assets | | (21,251) | (11,778) | (6,125) | (576) |
| | | ----- | ----- | ----- | ----- |
| Total assets less current liabilities | | 27,754 | 38,466 | 36,363 | 41,845 |
| | | ----- | ----- | ----- | ----- |
| Creditors: amounts falling due after more than one year | 15 | (3,235) | (4,429) | (3,002) | (4,185) |
| | | ----- | ----- | ----- | ----- |
| Provisions for liabilities and charges | | | | | |
| Deferred taxation | 5(b) | - | (493) | - | - |
| | | ----- | ----- | ----- | ----- |
| Net assets | | 24,519 | 33,544 | 33,361 | 37,660 |
| | | ===== | ===== | ===== | ===== |
| Capital and reserves | | | | | |
| Called up share capital | 20 | 30,000 | 30,000 | 30,000 | 30,000 |
| Other reserves | 21 | 1,503 | 1,503 | 1,503 | 1,503 |
| Profit and loss account | 21 | (7,149) | 1,813 | 1,858 | 6,157 |
| | | ----- | ----- | ----- | ----- |
| Equity shareholder's funds | | 24,354 | 33,316 | 33,361 | 37,660 |
| Minority interests - equity | | 165 | 228 | - | - |
| | | ----- | ----- | ----- | ----- |
| | | 24,519 | 33,544 | 33,361 | 37,660 |
| | | ===== | ===== | ===== | ===== |

The financial statements on pages 5 to 23 were approved by the Board of Directors on 3 October 1997 and were signed on its behalf by


S M Haslam
Director

The notes on pages 9 to 23 form part of these financial statements

FIDELITY INVESTMENT MANAGEMENT LIMITED

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 1997**

| | <u>1997</u> £'000 | <u>1996</u> £'000 |
|---|----------------------|----------------------|
| (Loss)/profit for the year | (8,721) | 2,027 |
| Currency translation differences on foreign currency net investments | (241) | (51) |
| Total recognised gains | (8,962) | 1,976 |
| | ===== | ===== |

The notes on pages 9 to 23 form part of these financial statements

FIDELITY INVESTMENT MANAGEMENT LIMITED

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED
30 JUNE 1997**

| | <u>Notes</u> | <u>1997</u> £'000 | <u>1997</u> £'000 | <u>1996</u> £'000 | <u>1996</u> £'000 |
|---|--------------|----------------------|----------------------|----------------------|----------------------|
| Net cash inflow from operating activities | 17 | | 33,373 | | 15,311 |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | 713 | | 495 | |
| Interest paid | | (365) | | (480) | |
| | | ----- | | ----- | |
| Net cash inflow from returns on investments and servicing of finance | | | 348 | | 15 |
| Taxation | | | | | |
| Corporation tax paid | | | (2,450) | | (1,127) |
| Capital Expenditure | | | | | |
| Purchase of tangible fixed assets | | (10,612) | | (9,400) | |
| Sale of tangible fixed assets | | 473 | | 582 | |
| | | ----- | | ----- | |
| Net cash outflow from capital expenditure | | | (10,139) | | (8,818) |
| | | | ----- | | ----- |
| | | | 21,132 | | 5,381 |
| Equity dividends paid | | | (11,000) | | - |
| Financing | | | | | |
| Capital contribution from minority | | - | | 60 | |
| Loan repayments | 18 | (615) | | (649) | |
| Purchase of minority interest in subsidiary | | (71) | | - | |
| | | ----- | | ----- | |
| Net cash outflow from financing | | | (686) | | (589) |
| | | | ----- | | ----- |
| Increase in cash | 19 | | 9,446 | | 4,792 |
| | | | ===== | | ===== |

The notes on pages 9 to 23 form part of these financial statements

FIDELITY INVESTMENT MANAGEMENT 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 significant accounting policies, which have been applied consistently, is set out below:

a) Historical cost convention

The financial statements have been prepared in accordance with the historical cost convention.

b) Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 June. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

c) Turnover

Turnover, which arises primarily in Europe and excludes Value Added Tax, comprises:

- i) net revenues receivable from the sale of units including franked investment income.
- ii) investment management and investment advisory fees and commissions receivable.

d) Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is eliminated by amortisation on a straight line basis over its expected useful life of 20 years.

e) Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

1 Principal accounting policies (continued)

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are

| | % |
|------------------------|--------------|
| Freehold property | 2 |
| Leasehold improvements | 25 |
| Office equipment | 25 to 33 1/3 |
| Computer equipment | 33 1/3 |
| Fixtures and fittings | 25 |
| Motor vehicles | 25 |

In the year of acquisition depreciation is charged from the month following purchase; a full charge is made in the month of disposal.

f) Interests in group undertakings

Interests in group undertakings where purchased are stated at cost and where received by way of capital contribution are stated at net asset value; except where, in the opinion of the directors, there has been a permanent diminution in the value of the interest.

g) Stocks of units

Stocks 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.

h) Foreign currencies

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. Translation differences are included in the profit before taxation.

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year and the results of foreign subsidiaries are translated at the average rate of exchange for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies, and from the translation of the results of those companies at average rates, are taken to reserves and are reported in the statement of total recognised gains and losses. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

1 Principal accounting policies (continued)

i) 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.

j) Pension scheme arrangements

The group operates a self-administered pension scheme open to all employees over 24 years of age. The scheme is a modified defined contribution scheme and as such pension costs are charged to the profit and loss account on an accruals basis in the period in which contributions are payable to the scheme.

k) Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

2 Directors' emoluments

| | <u>1997</u> £'000 | <u>1996</u> £'000 |
|---|----------------------|----------------------|
| Aggregate emoluments | 1,275 | 1,161 |
| Company pension contributions to defined contribution schemes | 145 | 134 |

Retirement benefits are accruing to 4 directors under a defined contribution scheme.

Highest paid Director

| | <u>1997</u> £'000 | <u>1996</u> £'000 |
|---|----------------------|----------------------|
| Aggregate emoluments | 635 | 628 |
| Company pension contributions to defined contribution schemes | 50 | 50 |

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

3 Employee information

- a) The average number of persons employed by the group during the year, including directors, was **854** (1996 - 718).
- b) The aggregate amounts payable for the year for all employees including directors was:

| | <u>1997</u> £'000 | <u>1996</u> £'000 |
|--|----------------------|----------------------|
| Salaries and bonus | 41,380 | 33,765 |
| Social security costs | 3,659 | 2,948 |
| Pension contributions (see note 1(j)) | 2,713 | 2,220 |
| | ----- | ----- |
| | 47,752 | 38,933 |
| | ===== | ===== |

All employees and directors are involved in the investment management business.

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

4 Profit on ordinary activities before taxation

| | <u>1997</u> £'000 | <u>1996</u> £'000 |
|--|----------------------|----------------------|
| The profit on ordinary activities before taxation is stated after charging/(crediting) | | |
| (Profit)/loss on disposal of tangible fixed assets | (76) | 132 |
| Depreciation | 10,363 | 9,253 |
| Operating lease rentals - property | 2,387 | 2,157 |
| - plant and machinery | 135 | 121 |
| Auditors' remuneration for audit services (Company £12,000: 1996 £17,000) | 76 | 121 |
| Auditors' remuneration for other services (Company £100,000: 1996 £252,000) | 132 | 287 |
| | ===== | ===== |

5 Taxation

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

| | <u>1997</u> £'000 | <u>1996</u> £'000 |
|--|----------------------|----------------------|
| United Kingdom Corporation Tax at 33%: | | |
| Current | 3,905 | 1,825 |
| Deferred | (493) | 26 |
| Tax on franked investment income | 312 | 399 |
| Overseas tax | 145 | 160 |
| Underprovision in prior years | 455 | 24 |
| | ----- | ----- |
| | 4,324 | 2,434 |
| | ===== | ===== |

The taxation charge for the year has been increased by the incidence of a deferred tax asset which will not reverse in the foreseeable future and for which no credit has been taken. In addition no tax relief is available in respect of the amortisation of goodwill.

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

5 Taxation (Continued)

b) The movement on the group provision for deferred taxation is as follows:

| | <u>1997</u> £'000 | <u>1996</u> £'000 |
|--|----------------------|----------------------|
| At 1 July | 493 | 467 |
| Transfer (to)/from profit and loss account | (493) | 26 |
| | ----- | ----- |
| At 30 June | 0 | 493 |
| | ===== | ===== |

c) There was no deferred taxation provision and no potential liability in the company. The provision made and full potential liability for deferred taxation of the group were as follows:

| | <u>1997</u> | | <u>1996</u> | |
|--|--|--|--|--|
| | <u>Provision</u> <u>Made</u> £'000 | <u>Full</u> <u>Potential</u> <u>Liability</u> £'000 | <u>Provision</u> <u>Made</u> £'000 | <u>Full</u> <u>Potential</u> <u>Liability</u> £'000 |
| Tax effect of timing differences due to the excess of tax allowances over depreciation | 0 | 0 | 493 | 493 |
| | === | === | === | === |

6 Intangible fixed assets

| | Goodwill £'000 |
|------------------------|--------------------------|
| Cost | |
| At 1 July 1996 | 21,018 |
| Additions | - |
| | ----- |
| At 30 June 1997 | 21,018 |
| | ----- |
| Amortisation | |
| At 1 July 1996 | 7,357 |
| Charge for year | 1,051 |
| | ----- |
| At 30 June 1997 | 8,408 |
| | ----- |
| Net book value | |
| At 30 June 1997 | 12,610 |
| | ===== |
| Net book value | |
| At 30 June 1996 | 13,661 |
| | ===== |

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

6 Intangible fixed assets (Continued)

The goodwill above represents the excess of the fair value of the consideration given for acquisition of subsidiary undertakings over the fair value of the identifiable net assets acquired. It is eliminated by amortisation on a straight line basis over its expected useful life of 20 years.

7 Tangible assets - the group

| | Freehold property | Leasehold improve- ments | Office equipment | Computer equipment | Fixtures and fittings | Motor vehicles | Total |
|---|----------------------|--------------------------------|---------------------|-----------------------|-----------------------------|-------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | | | |
| At 1 July 1996 | 20,205 | 5,660 | 7,072 | 28,440 | 6,220 | 254 | 67,851 |
| Exchange differences | - | (21) | (19) | (29) | (32) | - | (101) |
| Additions | 66 | 115 | 1,486 | 8,216 | 729 | - | 10,612 |
| Disposals | - | - | (30) | (1,470) | - | (89) | (1,589) |
| At 30 June 1997 | 20,271 | 5,754 | 8,509 | 35,157 | 6,917 | 165 | 76,773 |
| Depreciation | | | | | | | |
| At 1 July 1996 | 2,508 | 1,828 | 4,554 | 18,228 | 3,967 | 183 | 31,268 |
| Exchange differences | - | (11) | (12) | (19) | (19) | - | (61) |
| Charge for year | 404 | 504 | 1,454 | 6,869 | 1,088 | 44 | 10,363 |
| Disposals | - | - | (30) | (1,092) | - | (70) | (1,192) |
| At 30 June 1997 | 2,912 | 2,321 | 5,966 | 23,986 | 5,036 | 157 | 40,378 |
| Net book value at 30 June 1997 | 17,359 | 3,433 | 2,543 | 11,171 | 1,881 | 8 | 36,395 |
| Net book value at 30 June 1996 | 17,697 | 3,832 | 2,518 | 10,212 | 2,253 | 71 | 36,583 |

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

8 Interests in group undertakings

The company's investments, none of which are listed investments, are made up as follows:

| | Interests in group undertakings |
|--------------------------|---------------------------------------|
| | ----- £'000 |
| Cost or valuation | |
| At 1 July 1996 | 42,421 |
| Additions | 71 |
| Disposals | (4) |
| | ----- |
| At 30 June 1997 | 42,488 |
| | ===== |

During the year the company purchased an additional 2% of the issued share capital of Fidelity Pensions Management.

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiaries which, in the opinion of the directors, principally affected the results or assets of the group. The country of incorporation or registration is the principal place of operation of each company.

| Name of company | Description of shares held | Proportion of nominal value of issued shares held | Country of incorporation or registration |
|---|-------------------------------|---|--|
| ----- | ----- | ----- % | ----- |
| Fidelity Investments International | Ordinary £1 shares | 98.00 | England & Wales |
| Fidelity Investment Services Limited | Ordinary £1 shares | 100.00 | England & Wales |
| Fidelity Investments Limited | Ordinary £1 shares | 100.00 | England & Wales |
| Fidelity Pensions Management | Ordinary £1 shares | 100.00 | England & Wales |
| Fidelity International Investment Advisors (UK) Limited | Ordinary £0.25 shares | 99.76 | England & Wales |
| Fidelity Property Company Limited | Ordinary £1 shares | 100.00 | England & Wales |
| Fidelity Administration Services Limited | Ordinary £1 shares | 100.00 | England & Wales |

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

8 Fixed asset investments - continued

| | | | |
|-----------------------------------|---------------|--------|---------|
| Fidelity Investment Services GmbH | Ordinary 1 DM | 100.00 | Germany |
| Fidelity Investissements SA | Ordinary 1 FF | 100.00 | France |

The principal business activities of these subsidiaries are:

| | |
|---|---|
| Fidelity Investments International (IMRO and PIA Member) | - distributor of Fidelity's funds and investment management |
| Fidelity Investment Services Limited (IMRO and PIA Member) | - the management and distribution of authorised unit trusts |
| Fidelity Investments Limited (IMRO and PIA Member) | - investment portfolio management service |
| Fidelity Pensions Management (IMRO and PIA Member) | - the management of pension fund portfolios |
| Fidelity International Investment Advisors (UK) Limited (IMRO Member) | - investment advisory services |
| Fidelity Property Company Limited | - development of property for investment purposes |
| Fidelity Administration Services Limited | - provision of administrative services and hiring of fixed assets |
| Fidelity Investment Services GmbH | - distributor of Fidelity's funds |
| Fidelity Investissements SA (COB Member) | - provision of administrative services |

9 Debtors: amounts falling due within one year

| | <u>The Group</u> | | <u>The Company</u> | |
|---|------------------|-------------|--------------------|-------------|
| | <u>1997</u> | <u>1996</u> | <u>1997</u> | <u>1996</u> |
| | £'000 | £'000 | £'000 | £'000 |
| Accounts receivable - customers and funds | 54,664 | 114,163 | - | - |
| Amounts owed by group undertakings | - | - | 15,594 | 14,759 |
| Other debtors | 2,697 | 5,849 | 2,102 | 4,775 |
| Prepayments and accrued income | 5,831 | 1,732 | 1,265 | 1,560 |
| | ----- | ----- | ----- | ----- |
| | 63,192 | 121,744 | 18,961 | 21,094 |
| | ===== | ===== | ===== | ===== |

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

10 Debtors: amounts falling due after more than one year

| | <u>The Group</u> | | <u>The Company</u> | |
|--|------------------|--------------|--------------------|--------------|
| | <u>1997</u> | <u>1996</u> | <u>1997</u> | <u>1996</u> |
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| Subordinated loans to group undertakings | - | - | 7,500 | - |
| | ===== | ===== | ===== | ===== |

Repayable upon the expiry of one month's written notice falling after 30 June 1999.

11 Investments

Investments, which were stated at cost, relate to holdings in United Kingdom Unit Trusts. These investments were sold at market value during the year.

12 Cash at bank and in hand

| | <u>The Group</u> | | <u>The Company</u> | |
|--------------------------|------------------|--------------|--------------------|--------------|
| | <u>1997</u> | <u>1996</u> | <u>1997</u> | <u>1996</u> |
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| Cash at bank and in hand | 14,163 | 7,586 | 4,181 | 1,847 |
| | ===== | ===== | ===== | ===== |

Certain of the company's and the group's bank balances are subject to a legal set off agreement as explained in note 25(b).

13 Creditors: amounts falling due within one year

| | <u>The Group</u> | | <u>The Company</u> | |
|--|------------------|--------------|--------------------|--------------|
| | <u>1997</u> | <u>1996</u> | <u>1997</u> | <u>1996</u> |
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| Bank loans and overdrafts | 901 | 3,312 | 7,444 | 3,282 |
| Accounts payable - customers and funds | 56,065 | 109,773 | - | - |
| Amounts owed to parent undertakings | 2,269 | 615 | 2,267 | 710 |
| Other creditors including taxation and social security (note 14) | 11,856 | 7,925 | 2,824 | 2,391 |
| Accruals and deferred income | 27,915 | 19,913 | 24,232 | 17,134 |
| | ----- | ----- | ----- | ----- |
| | 99,006 | 141,538 | 36,767 | 23,517 |
| | ===== | ===== | ===== | ===== |

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

14 Other creditors including taxation and social security

| | <u>The Group</u> | | <u>The Company</u> | |
|------------------------|------------------|--------------|--------------------|--------------|
| | <u>1997</u> | <u>1996</u> | <u>1997</u> | <u>1996</u> |
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| Corporation tax | 5,559 | 3,503 | 416 | 244 |
| PAYE & social security | 1,511 | 1,214 | 1,446 | 1,150 |
| VAT | 1,516 | 1,005 | 566 | 618 |
| Other creditors | 3,270 | 2,203 | 396 | 379 |
| | ----- | ----- | ----- | ----- |
| | 11,856 | 7,925 | 2,824 | 2,391 |
| | ===== | ===== | ===== | ===== |

15 Creditors: amounts falling due after more than one year

| | <u>The Group</u> | | <u>The Company</u> | |
|--|------------------|--------------|--------------------|--------------|
| | <u>1997</u> | <u>1996</u> | <u>1997</u> | <u>1996</u> |
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| Bank loan repayable in instalments as follows: | | | | |
| Between one and two years | 1,201 | 966 | 1,201 | 966 |
| Between two and five years | 1,801 | 3,219 | 1,801 | 3,219 |
| Accruals and deferred income | 233 | 244 | - | - |
| | ----- | ----- | ----- | ----- |
| | 3,235 | 4,429 | 3,002 | 4,185 |
| | ===== | ===== | ===== | ===== |

The loan bears interest at 6.385% and is repayable in instalments in the period to 2000.

16 Profit of Fidelity Investment Management Limited

The company has taken advantage of the dispensation under s230 of the Companies Act 1985 not to publish its own profit and loss account. Of the retained loss for the year of £8,721,000 a loss of £4,299,000 has been dealt with in the accounts of Fidelity Investment Management Limited.

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

17 Reconciliation of operating profit to net cash inflow from operating activities

| | <u>1997</u> £'000 | <u>1996</u> £'000 |
|--|----------------------|----------------------|
| Operating profit | 6,263 | 4,485 |
| Amortisation of goodwill | 1,051 | 1,051 |
| Depreciation charges | 10,363 | 9,253 |
| (Profit)/loss on sale of tangible fixed assets | (76) | 132 |
| Increase in stocks | (60) | (86) |
| Decrease/(increase) in investments | 90 | (25) |
| Decrease/(increase) in debtors | 58,552 | (108,644) |
| (Decrease)/increase in creditors | (42,188) | 109,410 |
| Tax on franked investment income | (312) | (399) |
| Exchange (gain)/loss on loan | (310) | 134 |
| | ----- | ----- |
| Net cash inflow from operating activities | 33,373 | 15,311 |
| | ===== | ===== |

18 Reconciliation of net cash flow to movement in net debt

| | <u>1997</u> £'000 | <u>1996</u> £'000 |
|-------------------------------------|----------------------|----------------------|
| Increase in cash in the period | 9,446 | 4,792 |
| Cash to repay loan | 615 | 649 |
| Exchange gains/(losses) | 110 | (169) |
| | ----- | ----- |
| Movement in net funds in the period | 10,171 | 5,272 |
| Net funds/(debt) at 1 July | 89 | (5,183) |
| | ----- | ----- |
| Net funds at 30 June | 10,260 | 89 |
| | ===== | ===== |

19 Analysis of changes in net funds

| | At 1 July <u>1996</u> £'000 | Cashflows £'000 | Exchange (Loss)/Gain £'000 | Other Changes £'000 | At 30 June <u>1997</u> £'000 |
|------------------------|-----------------------------------|--------------------|----------------------------------|---------------------------|------------------------------------|
| Cash in hand at bank | 7,586 | 6,778 | (201) | - | 14,163 |
| Overdrafts | (2,668) | 2,668 | - | - | - |
| | ----- | ----- | ----- | ----- | ----- |
| | 4,918 | 9,446 | (201) | - | 14,163 |
| Debt due within 1 year | (644) | 615 | 29 | (901) | (901) |
| Debt due after 1 year | (4,185) | - | 282 | 901 | (3,002) |
| | ----- | ----- | ----- | ----- | ----- |
| Total | 89 | 10,061 | 110 | - | 10,260 |
| | ===== | ===== | ===== | ===== | ===== |

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

20 Called up share capital

| | <u>1997</u> Authorised, issued & fully paid | <u>1996</u> Authorised, issued & fully paid |
|-------------------------------|--|--|
| | £'000 | £'000 |
| 30,000,000 ordinary £1 shares | 30,000 ===== | 30,000 ===== |

21 Other Reserves

| | <u>The Group</u> | <u>The Company</u> | <u>The Group</u> | <u>The Company</u> |
|------------------------|---------------------------|---------------------------|----------------------------------|----------------------------------|
| | Profit & Loss £'000 | Profit & Loss £'000 | Capital Contribution £'000 | Capital Contribution £'000 |
| At 1 July 1996 | 1,813 | 6,157 | 1,503 | 1,503 |
| Retained loss for year | (8,721) | (4,299) | - | - |
| Exchange loss | (241) | - | - | - |
| | ----- | ----- | ----- | ----- |
| At 30 June 1997 | (7,149) ===== | 1,858 ===== | 1,503 ===== | 1,503 ===== |

22 Reconciliation of movements in shareholder's funds

| | <u>1997</u> £'000 | <u>1996</u> £'000 |
|------------------------------------|------------------------|----------------------|
| (Loss)/profit for the year | (8,721) | 2,027 |
| Exchange loss | (241) | (51) |
| Opening shareholder's funds | 33,316 | 31,340 |
| | ----- | ----- |
| Closing shareholder's funds | 24,354 ===== | 33,316 ===== |

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

23 Capital commitments

At 30 June commitments were:

| | <u>The Group</u> | | <u>The Company</u> | |
|---------------------------|------------------|--------------|--------------------|--------------|
| | <u>1997</u> | <u>1996</u> | <u>1997</u> | <u>1996</u> |
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| Contracted and authorised | 900 | 2,465 | - | - |
| | ===== | ===== | ===== | ===== |

24 Financial commitments in respect of operating leases

The group has the following annual financial commitments in respect of operating leases payable during the next year analysed by year of expiry

| | <u>1997</u> | <u>1996</u> |
|----------------------------|------------------|------------------|
| | <u>Leases of</u> | <u>Leases of</u> |
| | <u>land and</u> | <u>land and</u> |
| | <u>buildings</u> | <u>buildings</u> |
| | <u>£'000</u> | <u>£'000</u> |
| Within one year | - | 4 |
| Between two and five years | 229 | 253 |
| After 5 years | 2,614 | 1,895 |
| | ----- | ----- |
| | 2,843 | 2,152 |
| | ===== | ===== |

The company has no financial commitments in respect of finance leases.

25 Contingent liabilities

- 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.
- The company, along 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 1997 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.

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

26 Related Party Transactions

The Group's controlling and ultimate controlling company is Fidelity International Limited, ("FIL") a Bermuda company which owns 100% of FIML'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.

The Group has agreements with FIL and fellow FIL subsidiary undertakings, the most significant of which include:

- (a) the provision and receipt of investment advisory and related services for which the Group recorded £6,997,000 in revenue and £3,996,000 in expenses;
- (b) the provision of corporate management services for which the Group recorded expenses of £2,145,000;
- (c) the distribution of Fidelity fund products, for which the Group recorded revenue of £11,164,000;
- (d) the provision of software for which the Group recorded revenue of £4,258,000.

At 30 June 1997, aggregate amounts due from these entities was £2,269,000.

The Group received management fees of £221,000 from the Group Pension Scheme. There was no balance outstanding at 30 June 1997.

FIL and its subsidiaries have contracts with Fidelity Management and Research companies, which have some common ownership, under which investment advice, research and other services are provided. During 1997 the Group received a net £9,617,000 for such services.