

FIL Investment Management Limited

Company number: 2349713

Annual report and financial statements

Year ended

30 June 2019



FIL Investment Management Limited

Annual report and financial statements
for the year ended 30 June 2019

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Directors

M Heath
R Musgrove
S Nelson
C Pirnie

Secretary and registered office

FIL Administration Limited, 4 Cannon Street, London, England, EC4M 5AB

Company number

2349713

Independent Auditors

PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT

FIL Investment Management Limited

Strategic report for the year ended 30 June 2019

The directors present their strategic report for FIL Investment Management Limited ("the company") for the year ended 30 June 2019.

Principal activities

The company provides administration and other services primarily to companies within the FIL Holdings (UK) Limited ("FHL") group, of which the company is a subsidiary.

Business review and position

The results for the company are set out on page 9. The company's profit for the financial year is £3,223,000 (2018: £15,199,000).

The company's balance sheet is set out on page 11 and shows net assets including pension scheme liabilities at 30 June 2019 of £55,146,000 (2018: £53,689,000).

Key performance indicators ("KPIs")

As a service company, KPIs of the business relate to cost. Employee costs are the single largest category of cost. Both total cost and headcount numbers are monitored closely and were broadly consistent year on year. The total employee cost for the year ended 30 June 2019 was £276,356,000 (2018: £318,371,000) and the average number of employees was 2,695 (2018: 2,686).

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.

Risk management

The company is exposed to three broad types of risk: operational, strategic and financial. Risk assessments are used to identify the risks, controls and mitigation action.

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people or systems, or from external events. It is the largest risk to which the FHL group, of which the company is a subsidiary, is exposed.

Operational risk may arise from failures in the management of operations, processes or systems. This can result in errors, the inability to deliver change adequately, unavailability of systems or the loss of data. It can also arise from a failure to identify and manage changes in law or regulations or to take appropriate measures to protect client assets. The FHL group is also exposed to external threats posing information security risks, financial crime risks and supplier and vendor risks. These risks can have an impact on FHL's clients, its reputation and its balance sheet.

The FHL group is actively managing all of these risks and employs a number of methods for mitigating operational risk, principally the implementation of systems and controls. Where services are provided by third parties, the FHL group performs due diligence processes and monitors and manages supplier performance.

Strategic risk

Strategic risk is the risk associated with an inappropriate or non-performing strategy. This risk type includes risks arising from external market dynamics, strategic error or non-delivery and poor business or investment performance. Strategic risks are actively managed by senior management, designated business committees and the Board.

FIL Investment Management Limited

Strategic report
for the year ended 30 June 2019 (*continued*)

Risk management (*continued*)

Financial risk

Financial risk may arise in the course of business and includes liquidity risk, market risk and credit risk. The company does not undertake principal trading nor does it actively take on credit, market or liquidity risks, other than incidentally to its operational activity. Accordingly credit, market, liquidity and other risks are relatively small in comparison to the operational risk exposures. In addition, the company is exposed to pension risk, which is the risk that the liabilities of the defined benefit pension plan are not fully funded. This risk is relatively small.

Liquidity risk

Liquidity risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The FHL group carries out day-to-day monitoring, management and reporting of the FHL group liquidity, ensuring that it complies at all times with limits set by the FHL group and regulatory obligations.

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values of financial instruments from fluctuations in foreign currency exchange rates, interest rates, and equity prices. 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 and costs denominated in foreign currencies.

Credit risk

Credit risk is the risk of a counterparty failing to meet its financial obligations to the company when due. The FHL group, makes use of credit ratings from major credit rating agencies, has access to the research of brokerage firms and has implemented policies that require credit checks on potential counterparties, where appropriate.

Financial instruments exposure may only be to counterparties under guidelines approved by FIL Limited ("FIL") policies. 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 FIL Group has strong, well-established relationships. Counterparty limits are used to manage the counterparty exposure.

Approval

This strategic report was approved on behalf of the Board on 27 September 2019.



R Musgrove
Director

FIL Investment Management Limited

Directors' report for the year ended 30 June 2019

The directors present their report together with the audited financial statements for the year ended 30 June 2019.

Directors

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

K Bonin (resigned 1 October 2018)
M Heath
R Musgrove
S Nelson
C Pirnie

Dividends

No dividends were paid or have been proposed in the current year (2018: £nil).

Future developments

Information on future developments in the business of the company has been included in the strategic report on page 1.

Financial risk management

Information on the financial risk management of the company has been included in the strategic report on pages 1 and 2.

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 time of approving the Directors' Report, the company has maintained liability insurance for directors.

Employees

The company maintains its commitment to pro-active programmes for involving employees in its affairs. This is achieved in a variety of ways, including the regular publication of online news articles, video presentations and employee business briefings.

Involvement of employees in the company's performance is encouraged by means of a performance related annual bonus, through medium term incentive plans linked to the performance of Fidelity International and through the participation of certain employees as shareholders in FIL Limited, the ultimate parent company.

The company's policy is to provide equal opportunities to all employees regardless of their gender, race, ethnic origin, nationality, religion, age, sexual orientation or disability. The Diversity and Inclusion strategy and programmes are governed by the Global D & I Leadership Council, made up of senior leaders across the global firm. This council sets the tone and strategy from the top to ensure the company is inclusive, diverse and engaging all employees. It meets quarterly to review progress against diversity and inclusion initiatives, and against targets for boards, senior roles and overall.

The company regularly participates in industry surveys in order to benchmark progress against industry best practice. The company is a member of Stonewall, Diversity Project, Women on Boards, and the 30% Club. In 2019 Fidelity International was named in The Times Top 50 Best Employers for Women. The FIL Group Chief Executive Officer is a regular spokesperson at significant industry wide events and programmes sponsoring diversity at a sector wide level.

FIL Investment Management Limited

Directors' report for the year ended 30 June 2019 (*continued*)

Employees (*continued*)

The company's diversity and inclusion initiatives support increasing representation of minority groups through talent acquisition, talent retention and performance processes. Succession planning places emphasis on tracking the pipeline of women and other minority groups in middle management to ensure a sustainable pipeline of internal talent into senior management roles.

The FHL group has committed to increasing representation of women in senior roles from 26% in 2017 to 30% by 2020 and is a signatory to the Women in Finance Charter, 30 Percent Club and the UN Charter for Human Rights for LGBTI. As at 30 June 2019 the FHL group had 26.5% of its senior roles filled by women.

Targeted learning and development programmes include unconscious bias training, coaching and mentoring and executive presence for women in senior roles. The company's training and development programmes support the policies in place to ensure a culture of inclusion prevails throughout the organisation. The company seeks feedback from employees through regular pulse surveys. These surveys are an important feedback loop in the diversity and inclusion strategy, and inform changes to policy, process and future training needs.

The company's policy on Dignity at Work; Bullying and Sexual Harassment is regularly reviewed and updated and is supported by processes to address employee grievances. The company is committed to supporting working families through its global "New Ways of Working" programme which offers flexible working policies and practices. It continues to support women returners and providing access for junior level women to role models and sponsors higher up the organisation.

Policy and practice on payment of creditors

It is the company's policy in respect of all suppliers to agree payment terms in advance of the supply and to adhere to these payment terms.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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, Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") 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;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

FIL Investment Management Limited

Directors' report for the year ended 30 June 2019 (*continued*)

Disclosure of information to auditors

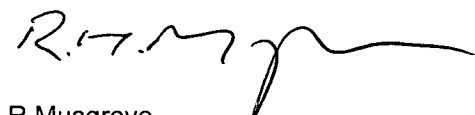
So far as the directors are aware there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit 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. Auditor independence and reappointment is considered by the FHL Audit and Risk Committee on an annual basis.

Approval

This Directors' Report was approved on behalf of the Board on 27 September 2019.

A handwritten signature in black ink, appearing to read 'R. Musgrove', with a long horizontal flourish extending to the right.

R Musgrove
Director

FIL Investment Management Limited

Independent auditors' report to the members of FIL Investment Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, FIL Investment Management Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 30 June 2019; the Profit and loss account and the statement of comprehensive income, and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) and applicable law. Our responsibilities under International Standards on Auditing (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

International Standards on Auditing (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

FIL Investment Management Limited

Independent auditors' report to the members of FIL Investment Management Limited (*continued*)

Reporting on other information (*continued*)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, International Standards on Auditing (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

FIL Investment Management Limited

Independent auditors' report to the members of FIL Investment Management Limited (*continued*)

Responsibilities for the financial statements and the audit (*continued*)

Use of this report

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.

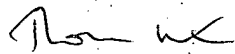
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility:



Thomas Norrie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 September 2019

FIL Investment Management Limited

Profit and loss account for the year ended 30 June 2019

	Note	2019 £'000	2018 £'000
Turnover		730,752	715,386
Administrative expenses		<u>(723,254)</u>	<u>(709,202)</u>
Operating profit	3	7,498	6,184
Interest receivable and similar income	6	757	13,616
Interest payable and similar charges	7	(58)	(98)
Other finance costs	8	<u>(181)</u>	<u>(196)</u>
Profit on ordinary activities before tax		8,016	19,506
Tax on profit on ordinary activities	9	<u>(4,793)</u>	<u>(4,307)</u>
Profit for the financial year		<u>3,223</u>	<u>15,199</u>

All operations are continuing.

The notes on pages 13 to 25 form part of these financial statements.

FIL Investment Management Limited

Statement of comprehensive income for the year ended 30 June 2019

	Note	2019 £'000	2018 £'000
Profit for the financial year		3,223	15,199
Remeasurement (loss)/gain on defined benefit pension scheme	18	(1,878)	801
Movement on deferred tax relating to pension liability	9	112	(115)
Total other comprehensive (expense)/income for the year, net of tax		(1,766)	686
Total comprehensive income for year		1,457	15,885

The notes on pages 13 to 25 form part of these financial statements.

FIL Investment Management Limited

Balance sheet at 30 June 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Investments	10		<u>10,050</u>		<u>10,050</u>
Current assets					
Debtors:					
amounts falling due within one year	11	303,967		224,542	
amounts falling due after more than one year	12	8,916		24,860	
Investments	13	<u>16,924</u>		<u>65,673</u>	
		329,807		315,075	
Creditors: amounts falling due within one year	14	<u>(245,599)</u>		<u>(229,569)</u>	
Net current assets			<u>84,208</u>		<u>85,506</u>
Total assets less current liabilities			<u>94,258</u>		<u>95,556</u>
Creditors: amounts falling due after more than one year	15		<u>(31,067)</u>		<u>(34,623)</u>
Net assets excluding pension liabilities			<u>63,191</u>		<u>60,933</u>
Pensions and similar obligations	18		<u>(8,045)</u>		<u>(7,244)</u>
Net assets including pension liabilities			<u>55,146</u>		<u>53,689</u>
Capital and reserves					
Called up share capital	16		<u>30,000</u>		<u>30,000</u>
Profit and loss account	17		<u>25,146</u>		<u>23,689</u>
Total equity			<u>55,146</u>		<u>53,689</u>

The notes on pages 13 to 25 form part of these financial statements.

The financial statements on pages 9 to 25 were approved by the Board of Directors on 27 September 2019 and signed on its behalf by:



R Musgrove
Director

Company registration number: 2349713

FIL Investment Management Limited

Statement of changes in equity for the year ended 30 June 2019

	Note	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 July 2017		30,000	7,804	37,804
Profit for the year		-	15,199	15,199
Other comprehensive income for the year		-	686	686
Total comprehensive income for the year		-	15,885	15,885
At 30 June 2018		30,000	23,689	53,689
Profit for the year		-	3,223	3,223
Other comprehensive expense for the year		-	(1,766)	(1,766)
Total comprehensive income for the year		-	1,457	1,457
At 30 June 2019		30,000	25,146	55,146

The notes on pages 13 to 25 form part of these financial statements.

FIL Investment Management Limited

Notes forming part of the financial statements for the year ended 30 June 2019

1 Accounting policies

General information

FIL Investment Management Limited is a private company limited by shares and incorporated in England. The registered office is 4 Cannon Street, London, England, EC4M 5AB.

Statement of compliance

The financial statements of FIL Investment Management Limited have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), and the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards on the historical cost basis, except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires company management to exercise judgement in applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

Turnover

Turnover, which arises primarily within the United Kingdom and excludes value added tax, is earned mainly from the provision of administration and other services to FHL group companies. Turnover is recognised as earned on an accruals basis.

Investments in subsidiaries

Investments in subsidiaries are measured at cost less any accumulated impairment.

Current asset investments

Current asset investments comprise investments in mutual and collective funds and money market deposits and are measured at fair value with changes in fair value recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand.

FIL Investment Management Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (*continued*)

1 Accounting policies (*continued*)

Debtors

Short-term debtors, with no stated interest rate and receivable within one year, are measured at transaction price less any impairment. Any losses arising from impairment are recognised in the profit and loss account. All debt instruments which are basic financial instruments are measured at amortised cost using the effective interest method, less any impairment.

Creditors

Short-term creditors, with no stated interest rate and payable within one year, are measured at transaction price. Other financial liabilities are measured at amortised cost.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement accrued at the balance sheet date.

Foreign currency translation

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. Translation differences are recognised in profit or loss.

Dividends

Dividends are recognised in the period in which they are appropriately authorised and declared.

Leased assets

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the lease.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 July 2014) to continue to be charged over the period to the first market rent review rather than the term of lease.

For leases entered into on or after 1 July 2014, the aggregate benefit of lease incentives received to enter into operating lease agreements are recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

FIL Investment Management Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (*continued*)

1 Accounting policies (*continued*)

Current and deferred tax (continued)

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

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

Pension costs

The company operates a self-administered defined contribution pension scheme open to all employees aged 18 or over. Contributions to the defined contribution scheme are charged to the profit and loss account in the period to which they relate.

The final salary guarantee and internal annuity parts of the pension plan, as described in note 18, are treated as funded defined benefit schemes. A defined benefit scheme defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit scheme is a pension plan that is not a defined contribution scheme.

The liability recognised in the balance sheet in respect of the defined benefit schemes is the present value of the defined benefit obligation at the reporting date less the fair value of the scheme assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of scheme assets is measured in accordance with the FRS 102 fair value hierarchy. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on scheme assets, less amounts included in net interest, are disclosed as 'remeasurement on defined benefit pension schemes'.

The cost of the defined benefit schemes recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

FIL Investment Management Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (continued)

1 Accounting policies (continued)

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of scheme assets. This cost is recognised in profit or loss as 'other finance costs'.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make significant judgements and estimates. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

- *Pension benefits*

The costs of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of high quality sterling corporate bonds, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables and future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 18.

- *Taxation*

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of future planning strategies. Further details are contained in note 9.

3 Operating profit

	2019 £'000	2018 £'000
This is arrived at after charging/(crediting):		
Operating lease rentals	13,626	11,421
Exchange differences	361	(96)

Fees paid to the company's auditors, 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.

The audit fees for the company are £38,000 (2018: £38,000).

4 Employees

	2019 £'000	2018 £'000
Staff costs (including directors) for all employees consist of:		
Wages and salaries	229,247	267,179
Social security costs	26,375	32,223
Other pension costs	20,734	18,969
	<u>276,356</u>	<u>318,371</u>

FIL Investment Management Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (continued)

4 Employees (continued)

There were no outstanding or prepaid contributions to the pension scheme at 30 June 2019 (2018: £nil).

The average monthly number of employees (including directors) during the year was as follows:

	2019 Number	2018 Number
Sales and marketing	432	423
Investment professionals	246	261
Administration	2,017	2,002
	<u>2,695</u>	<u>2,686</u>

5 Directors' remuneration

	2019 £'000	2018 £'000
Directors' emoluments	146	203
Company pension contributions to defined contribution schemes	4	5
Compensation for loss of office	25	-
	<u>175</u>	<u>208</u>

During the year, retirement benefits were accruing to 4 directors (2018: 4) under a defined contribution scheme. No benefits accrued to directors under the defined benefit scheme (2018: none).

Emoluments of the highest paid director were £106,000 (2018: £136,000). Company pension contributions of £1,000 (2018: £1,000) were made to a defined contribution scheme on their behalf.

6 Interest receivable and similar income

	2019 £'000	2018 £'000
Other interest receivable	287	145
Group interest receivable	470	471
Income from fixed asset investments (note 10)	-	13,000
	<u>757</u>	<u>13,616</u>

7 Interest payable and similar charges

	2019 £'000	2018 £'000
Bank loans and overdrafts	<u>58</u>	<u>98</u>

8 Other finance costs

	2019 £'000	2018 £'000
Net interest on net defined benefit pension liability	<u>181</u>	<u>196</u>

FIL Investment Management Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (*continued*)

9 Tax

	2019 £'000	2018 £'000
<i>Current tax</i>		
UK corporation tax on profits for the year	2,147	3,185
Adjustments in respect of prior years	346	(4)
Prior year adjustment in respect of amount payable for group relief	-	880
Total current tax	<u>2,493</u>	<u>4,061</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	2,300	246
Tax on profit on ordinary activities	<u>4,793</u>	<u>4,307</u>

The tax assessed for the year is higher than (2018: higher) the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	<u>8,016</u>	<u>19,506</u>
Profit on ordinary activities at the standard rate of UK corporation tax at 19% (2018: 19%)	1,523	3,706
Effects of:		
Expenses not deductible for tax purposes	159	188
Group relief adjustment in respect of a prior year	346	880
Adjustments in respect of prior years	-	(4)
Compensating adjustments	2,826	2,950
Prior year deferred tax movement	(121)	(916)
Non taxable income	60	(2,497)
Total tax charge for year	<u>4,793</u>	<u>4,307</u>

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a credit of £112,000 (2018: charge of £115,000).

A reduction in the UK corporation tax rate from 20% to 19% took effect from 1 April 2017. A further reduction from 19% to 17% was enacted in September 2016 and will take effect from 1 April 2020.

FIL Investment Management Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (*continued*)

9 Tax (*continued*)

The deferred tax asset in the balance sheet consists of:

	2019 £'000	2018 £'000
Accelerated capital allowances	1,847	1,769
Bonus	7,243	9,622
Defined benefit pension scheme	1,489	1,376
	<u>10,579</u>	<u>12,767</u>

The movements on the deferred tax asset are as follows:

	2019 £'000	2018 £'000
At 1 July	12,767	13,128
Deferred tax charge in the profit and loss account for the year	(2,300)	(246)
Amount credited/(charged) to other comprehensive income	112	(115)
At 30 June	<u>10,579</u>	<u>12,767</u>

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements.

The net reversal of deferred tax assets and liabilities expected in the year ended 30 June 2020 is £2,003,000 (2018: £7,183,000). This is expected to arise predominantly because of the unwinding of timing differences in relation to staff bonuses. However, it should be noted that further reversals (or further increases in deferred tax balances) may arise as a result of revaluations of financial instruments and changes in the defined benefit pension liability. As the future deferred tax balances, if any, will be dependent on future changes in fair values of assets and liabilities, it is not possible to estimate any further future reversals.

10 Fixed asset investments

	Other Investments £'000
<i>Cost and net book value</i>	
At 30 June 2019 and 30 June 2018	<u>10,050</u>

FIL Investment Management Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (continued)

10 Fixed asset investments (continued)

The company's investments, none of which are listed investments, are detailed below. The country of incorporation for all undertakings is England and Wales.

Name of company	Proportion of nominal value of ordinary shares and voting rights	Principal activity
FIL Administration Limited	100%	Provision of fixed assets.
FPM Nominees Limited	100%	Dormant
Fidelity Investments Limited	100%	Dormant
FIL SIPP Trustee (UK) Limited	100%	Dormant
FIL (UK) Limited	99%	Dormant
Soclear Nominees Limited	50%	Dormant

The registered office address for all subsidiaries is 4 Cannon Street, London, England, EC4M 5AB.

The company is included in the consolidated financial statements of FIL Holdings (UK) Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The company has received a dividend of £nil in 2019 (2018: £13,000,000) from FIL Administration Limited.

11 Debtors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed by parent undertaking	97,790	97,245
Amounts owed by group undertakings	155,625	84,747
Other debtors	11,212	1,822
Corporation tax	15,387	18,058
VAT recoverable	2,024	-
Deferred tax asset (note 9)	2,003	7,183
Prepayments and accrued income	19,926	15,487
	303,967	224,542

Amounts owed by group undertakings contain a loan of €21,400,000, equivalent to £19,166,000 (2018: £18,936,000) at year end exchange rates, provided to FIL Villa Mumm Limited which is subject to fixed interest of 2.4% from 1 December 2014. The loan is due to be repaid on 1 December 2019.

With the exception of the loan to FIL Villa Mumm Limited, amounts owed by parent and group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

FIL Investment Management Limited

Notes forming part of the financial statements
for the year ended 30 June 2019 (*continued*)

12 Debtors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Amounts owed by group undertakings	-	18,936
Long term deposit	340	340
Deferred tax asset (note 9)	8,576	5,584
	<u>8,916</u>	<u>24,860</u>

13 Current asset investments

	2019 £'000	2018 £'000
Mutual and collective fund investments	<u>16,924</u>	<u>65,673</u>

14 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank overdrafts	37,264	22,435
Amounts owed to group undertakings	72,048	29,011
Other taxation and social security	4,606	7,876
Other creditors	12,276	12,335
Accruals and deferred income	119,405	157,912
	<u>245,599</u>	<u>229,569</u>

The company's bank overdraft is subject to a legal set off agreement as explained in note 20.

All amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Accruals and deferred income	<u>31,067</u>	<u>34,623</u>

Creditors falling due after more than one year consist of long term bonus accruals and a deferred rent expense.

16 Called up share capital

	2019 £'000	2018 £'000
<i>Allotted, called up and fully paid</i>		
30,000,000 (2018: 30,000,000) ordinary £1 shares	<u>30,000</u>	<u>30,000</u>

FIL Investment Management Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (continued)

17 Reserves

Profit and loss account

This reserve includes all current and prior year retained profits and losses.

18 Pensions and similar obligations

The company operates a defined contribution pension scheme, the Fidelity UK Pension Plan (the 'Plan').

Until 1986, the company operated a defined benefit pension scheme. At that time, a number of employees were given assurances that their defined contribution pension pool would be not less than the amount required to buy an annuity under the original scheme. The final salary guarantee ("FSG") part of the Plan is therefore treated as a funded defined benefit scheme and is made up exclusively of deferred members.

In addition, the Plan offers members who retire the option to buy an annuity within the scheme. Assets are transferred from individual member accounts and held within an annuity pool account within the scheme. Any risk that the amount set aside within the pension scheme will not cover the pension payments of the retiree is taken by the company. The internal annuity part of the Plan is also treated as a funded defined benefit scheme. The trustees have reserved the right to retract, amend or remove this option with a thirty day notice period to members.

Assets of the Plan are held in a separate trustee managed scheme and are ring fenced from the assets of the company.

UK defined benefit pension scheme

A full actuarial valuation of the FSG and internal annuity parts of the Fidelity UK Pension Plan was carried out at 30 June 2018 by WillisTowersWatson Limited (the "Actuary"). In addition, the Actuary undertakes an annual valuation for the purposes of the disclosures in these financial statements.

<i>Principal actuarial assumptions used at the balance sheet date</i>	2019 %	2018 %
Discount rate	2.20	2.50
Rate of increase in pensions in payment		
- Annuity pool pensioners	2.00	2.00
- FSG members	3.50	3.40
Inflation rate	3.60	3.40
<hr/>		
<i>Assets and liabilities of the scheme</i>	2019 £'000	2018 £'000
<i>Scheme assets at fair value:</i>		
Equities	10,588	10,262
Debt	11,875	8,833
Property	1,232	883
Cash	3,025	5,455
Other	1,288	546
<hr/>		
Fair value of scheme assets	28,008	25,979
Present value of scheme liabilities	(36,053)	(33,223)
<hr/>		
Net defined benefit liability	(8,045)	(7,244)

FIL Investment Management Limited

Notes forming part of the financial statements
for the year ended 30 June 2019 (*continued*)

18 Pensions and similar obligations (*continued*)

<i>Amounts recognised in profit and loss account</i>	2019 £'000	2018 £'000
Net interest on net defined benefit liability	<u>(181)</u>	<u>(196)</u>
<i>Amounts recognised in other comprehensive income</i>	2019 £'000	2018 £'000
Actuarial (loss)/gain arising during year	(2,991)	437
Return on plan assets greater than discount rate	<u>1,113</u>	<u>364</u>
Remeasurement (losses)/gains recognised in other comprehensive income	<u>(1,878)</u>	<u>801</u>
<i>Reconciliation of present value of plan liabilities</i>	2019 £'000	2018 £'000
At 1 July	33,223	33,494
Interest cost	819	826
Remeasurement loss/(gain)	2,991	(437)
Benefits paid	(980)	(971)
Contributions in respect of benefits secured by annuity pool pensioners	-	311
At 30 June	<u>36,053</u>	<u>33,223</u>
<i>Reconciliation of fair value of plan assets</i>	2019 £'000	2018 £'000
At 1 July	25,979	25,645
Interest income	638	630
Return on plan assets greater than discount rate	1,113	364
Employer contributions	1,258	-
Benefits paid	(980)	(971)
Contributions in respect of benefits secured by annuity pool pensioners	-	311
At 30 June	<u>28,008</u>	<u>25,979</u>

19 Commitments under operating leases

The company had minimum lease payments under non-cancellable operating leases as set out below:

	2019 £'000	2018 £'000
Not later than 1 year	11,450	12,285
Later than 1 year and not later than 5 years	55,304	44,259
Later than 5 years	<u>102,848</u>	<u>112,894</u>
	<u>169,602</u>	<u>169,438</u>

FIL Investment Management Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (*continued*)

20 Contingent liabilities and guarantees

The company, along with certain other FHL group companies, 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 2019 the net bank balance on FHL group financial statements held within the arrangement was a net overdraft balance of £12,528,000 (2018: £8,454,000). The overdraft interest rate as at 30 June 2019 was the Bank of England base rate plus 1.35%.

21 Financial instruments

The company's financial instruments may be analysed as follows:

	2019 £'000	2018 £'000
Financial assets		
Financial assets measured at fair value through profit or loss	16,924	65,673
Financial assets that are debt instruments measured at amortised cost	<u>264,627</u>	<u>202,750</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>84,324</u>	<u>41,346</u>

Financial assets measured at fair value through profit or loss comprise current asset investments.

Financial assets measured at amortised cost comprise other debtors and amounts owed by parent and group undertakings.

Financial liabilities measured at amortised cost comprise other creditors and amounts owed to group undertakings.

22 Statement of cash flows and related party transactions

The company has taken advantage of the exemption permitted by section 1.12 of FRS 102 from preparing a statement of cash flows. The company is a subsidiary of FIL Holdings (UK) Limited and is included in its consolidated financial statements which are publicly available.

The company has also taken advantage of the exemption permitted by section 33.1A of FRS 102 not to disclose related party transactions with entities that are wholly owned subsidiaries of the FIL Limited group.

The company provides administrative services to an entity over which FIL Limited has significant influence. During the year ended 30 June 2019, the company recorded turnover of £642,000 (2018: £505,000) for such services and the amount due at 30 June 2019 was £48,000 (2018: £39,000).

FIL Investment Management Limited

Notes forming part of the financial statements
for the year ended 30 June 2019 (*continued*)

23 Ultimate parent undertaking and controlling party

The immediate parent undertaking is FIL Holdings (UK) 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 2019. The consolidated financial statements of FIL Holdings (UK) Limited may be obtained from The Company Secretary, FIL Administration Limited, 4 Cannon Street, London, England, EC4M 5AB.

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.