

**FIDELITY INVESTMENT MANAGEMENT  
LIMITED**

**(Registered no : 2349713)**

**Annual Report  
for the year ended 30 June 2004**



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## **FIDELITY INVESTMENT MANAGEMENT LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2004**

The directors submit their annual report and financial statements for the year ended 30 June 2004, 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, OEICs, Fidelity Funds and Fidelity Money Funds, and the management of pension funds.

#### **Review of business and future developments**

The financial year ended 30 June 2004 witnessed a significant recovery in the stock markets. The equity market returned 22% in US dollar terms as measured by the MSCI World Index, although much of this return came in the first half of the fiscal year when investors gained confidence in prospects for growth. In the second half, worries about the economy slowed equity gains.

It was a very good year for our retail UK equity funds. In aggregate they beat 82% of their peer group. The market environment proved very favourable for our bottom-up stockpicking approach and a number of managers with different investment disciplines performed well.

Our FundsNetwork™ supermarket continued to expand. This indicates the strength of the relationships we are building with our customers, who continue to consolidate more of their business under our roof. We now offer more than 900 funds from 56 providers through the FundsNetwork™ platform.

As the Defined Benefit (DB) market in the UK continued to mature, we shifted our focus towards retaining current DB clients and building our Defined Contribution (DC) business. This grew significantly during the year, partly as a result of market movements and partly from strong sales. By the end of the year it had assets of US\$4.1 billion under management and is positioned for solid growth.

The future stability and growth of funds under management will be dependent on market strength and investor confidence.

The results of the company and its subsidiaries ("the Group") for the year are set out in the profit and loss account on page 5.

#### **Results and dividends**

The Group's profit after tax for the financial year is £3,298,000 (2003: £22,654,000). The directors do not recommend the payment of a dividend (2003: nil).

#### **Directors**

The directors of the company during the year ended 30 June 2004, all of whom have been directors for the whole year are listed below:

T Balk  
B R J Bateman  
A J Bolton  
S J Fraser  
S M Haslam  
A J K Steward  
D Stewart  
R M Sylvain  
R C Wastcoat

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

#### **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.

## **FIDELITY INVESTMENT MANAGEMENT LIMITED**

### **DIRECTORS' REPORT - Continued**

#### **Employees**

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

The Group operates a European Employee Communication Forum ("EECF") which was established on 9 December 1999. The objective of the EECF is to improve Fidelity's business productivity and working relationships by enabling transnational business issues to be communicated effectively to employees and to give employees the opportunity to put forward their views.

Involvement of employees in the group's performance is encouraged by means of a performance related annual bonus, through medium term incentive plans linked to the performance of the Fidelity International Group 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. It is also the policy of the group that the career development and promotion of a disabled worker should, as far as possible, be identical to that of a person who does not suffer from a disability.

#### **Charitable contributions**

The Group set up the Fidelity UK Foundation (a registered charity) on 13 July 1988 to receive charitable contributions from the Group. During the year the Group made charitable contributions totalling £10,220,000 (2003 : £4,250,000) to the Foundation. The Foundation then makes grants to charitable projects with a particular reference to locations where the company has offices and does business.

In addition to the contribution made to the Fidelity Foundation, the Group makes donations direct to a wide variety of charities. This includes a substantial number of individual donations in which local children's charities, schools and hospitals regularly feature. During the year these other charitable contributions totalled £123,590 (2003: £54,683).

A political contribution of £100,000 was made to The Conservative Party and £500 to the Tonbridge and Chatham Conservative Association (2003 : £500).

#### **Registered auditors**

The directors appointed PricewaterhouseCoopers LLP as auditors to the company on 31 January 2003. The company has passed elective resolutions to dispense with the appointment of auditors annually and the holding of an annual general meeting

**By order of the board**



**S M Haslam**

**Director**

15<sup>th</sup> October 2004

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

## **FIDELITY INVESTMENT MANAGEMENT LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

**By order of the board**



**S M Haslam**

**Director**

15<sup>th</sup> October 2004

## **FIDELITY INVESTMENT MANAGEMENT LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIDELITY INVESTMENT MANAGEMENT LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

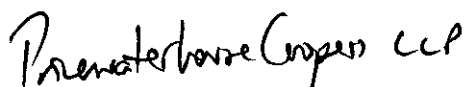
#### **Basis of audit opinion**

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 the affairs of the Company and the Group at 30 June 2004, and of the profit, the total recognised gains and cash flows for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
**Chartered Accountants and Registered Auditors**  
**London**  
15<sup>th</sup> October 2004

**FIDELITY INVESTMENT MANAGEMENT LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED  
30 JUNE 2004**

	<b><u>Notes</u></b>	<b><u>2004</u></b> <b><u>£'000</u></b>	<b><u>2003</u></b> <b><u>£'000</u></b>
Turnover		499,342	404,650
Cost of sales		(78,896)	(52,742)
<b>Gross profit</b>		<b>420,446</b>	<b>351,908</b>
Administrative expenses		(407,151)	(315,251)
Amortisation of goodwill	8	(1,051)	(1,051)
<b>Operating profit</b>		<b>12,244</b>	<b>35,606</b>
Share of loss from interest in associate undertaking	11	(812)	(1,223)
Interest receivable		3,779	3,999
Interest payable and similar charges	5	(1,103)	(912)
<b>Profit on ordinary activities before taxation</b>	6	<b>14,108</b>	<b>37,470</b>
Tax on profit on ordinary activities	7	(10,769)	(14,861)
<b>Profit on ordinary activities after taxation</b>		<b>3,339</b>	<b>22,609</b>
Equity minority interests		(41)	45
<b>Profit for the financial year</b>		<b>3,298</b>	<b>22,654</b>

All operations are regarded as continuing.

**FIDELITY INVESTMENT MANAGEMENT LIMITED**

**BALANCE SHEETS AS AT 30 JUNE 2004**

		<u>The Group</u>		<u>The Company</u>	
	<u>Notes</u>	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
<b>Fixed assets</b>					
Intangible assets	8	5,253	6,304	-	-
Tangible assets	9	99,014	102,020	-	-
Interests in group undertakings	10	-	-	77,198	77,198
Fixed asset investments	11	368	1,111	299	1,111
		<u>104,635</u>	<u>109,435</u>	<u>77,497</u>	<u>78,309</u>
<b>Current assets</b>					
Stock of holdings		1,547	940	-	-
Debtors: amounts falling due after more than one year	12	4,699	3,275	15,126	11,113
Debtors: amounts falling due within one year	13	211,291	224,229	128,773	73,221
Investments	14	99,760	78,992	85,084	67,009
Cash at bank and in hand	15	22,670	22,746	2,471	4,302
		<u>339,967</u>	<u>330,182</u>	<u>231,454</u>	<u>155,645</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(315,717)</u>	<u>(278,866)</u>	<u>(267,327)</u>	<u>(183,360)</u>
<b>Net current assets / (liabilities)</b>		24,250	51,316	(35,873)	(27,715)
<b>Total assets less current liabilities</b>		128,885	160,751	41,624	50,594
<b>Creditors: amounts falling due after more than one year</b>	17	(2,651)	(37,106)	(2,497)	(2,813)
<b>Provisions for liabilities and charges</b>	18	(5,071)	(5,071)	(5,071)	(5,071)
<b>Net assets</b>		<u>121,163</u>	<u>118,574</u>	<u>34,056</u>	<u>42,710</u>
<b>Capital and reserves</b>					
Called up share capital	23	30,000	30,000	30,000	30,000
Other reserves	24	1,503	1,503	1,503	1,503
Profit and loss account	24	89,035	86,487	2,553	11,207
<b>Total equity shareholders' funds</b>		<u>120,538</u>	<u>117,990</u>	<u>34,056</u>	<u>42,710</u>
Minority interests - equity		625	584	-	-
<b>Total shareholders' funds</b>		<u>121,163</u>	<u>118,574</u>	<u>34,056</u>	<u>42,710</u>

The financial statements on pages 5 to 27 were approved by the Board of Directors on 15<sup>th</sup> October 2004 and were signed on its behalf by



**S M Haslam**  
**Director**

**FIDELITY INVESTMENT MANAGEMENT LIMITED**

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 30 JUNE 2004**

	<u>Notes</u>	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
<b>Profit for the financial year</b>		3,298	22,654
Currency translation differences on foreign currency net investments		(750)	391
<b>Total recognised gains relating to the year</b>		<u>2,548</u>	<u>23,045</u>



**FIDELITY INVESTMENT MANAGEMENT LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2004**

	<u>Notes</u>	<u>2004</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
<b>Net cash inflow from operating activities</b>	20		62,040		43,703
<b>Returns on investments and servicing of finance</b>					
Interest received		3,758		3,960	
Interest paid		(2,692)		(912)	
<b>Net cash inflow from returns on investments and servicing of finance</b>			1,066		3,048
<b>Taxation</b>					
Corporation tax paid			(9,201)		(9,090)
<b>Capital expenditure</b>					
Purchase of tangible fixed assets		(39,178)		(36,416)	
Sale of tangible fixed assets		594		257	
Purchase of fixed asset investments		(69)		-	
Sale of fixed asset investments		92		(830)	
<b>Net cash outflow from capital expenditure</b>			(38,561)		(36,989)
			15,344		672
<b>Management of liquid resources</b>					
Purchase of current asset investments		(116,522)		(452,235)	
Sale of current asset investments		95,172		436,008	
<b>Net cash outflow from management of liquid resources</b>	21, 22		(21,350)		(16,227)
<b>Financing</b>					
Increase in borrowings		6,586		12,934	
<b>Net cash outflow from financing</b>			6,586		12,934
<b>Increase / (decrease) in cash</b>	21, 22		580		(2,621)

# 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, balance sheet and cash flow include the financial statements of the company and its subsidiary undertakings made up to 30 June 2004. 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. The group's share of profit or losses of associated undertakings is included in the consolidated profit and loss account and in the consolidated balance sheet.

c) Turnover

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

- i) Net revenues receivable from the sale of units including net distributions received arising from stocks of holdings held in the manager's box.
- ii) Investment management and investment advisory fees and commissions receivable.
- iii) Performance related fees which are recognised when the full performance period has been completed and a reasonable and accurate calculation has been performed.
- iv) Unit trust and OEIC management and administration 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 the cost of construction and any incidental expenses of acquisition. Interest costs and professional fees incurred during the development and construction phase of a building are included in the cost of the building.

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	at rates varying from 6 2/3 to 25
Office equipment	at rates varying from 25 to 33 1/3
Computer equipment	33 1/3
Fixtures and fittings	20
Motor vehicles	20

In the year of acquisition a full month's depreciation is charged in the month of acquisition; no charge is made in the month of disposal.

## FIDELITY INVESTMENT MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### 1 Principal accounting policies (continued)

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) Investments

Fixed asset investments are stated at cost less any permanent diminution in value. For the associates refer to policy note 1b.

Current asset investments are stated at the lower of cost and net realisable value.

h) Stocks of holdings

Stocks of holdings held in the manager's box are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and represents amounts paid to the Trustee on creation of holdings and to stockholders on repurchase of holdings. Net realisable value is the price at which holdings can be sold, or cancelled, in the normal course of business after allowing for fiscal and sales charges.

i) 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.

j) Deferred taxation

Deferred taxation is recognised in respect of all timing differences which have originated, but not reversed, at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred. A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable.

Deferred tax is measured on a non-discounted basis at the rate of Corporation Tax that is expected to apply when the timing differences are expected to reverse.

k) Pension scheme arrangements

The group operates a self-administered pension defined contribution scheme open to all employees aged 18 or over. The contributions made by the employer to the scheme for the period July 1 2003 to June 30 2004 were £9,870,817. As at June 30 2004 there were no outstanding or prepaid contributions to the scheme.

Within the defined contribution scheme, there is a small sub-set of employees (current and deferred members) who are covered by a final salary guarantee on their pension. This ensures that for the members covered, the pension paid will be no less than a pre-defined percentage of the members' final salary. For these members, the defined contributions plan acts as a defined benefits scheme. This is a closed pool of employees and there is no option for any additional members to be added to this part of the scheme.

## FIDELITY INVESTMENT MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - Continued

A full actuarial valuation of the Fidelity UK Pension Plan was carried out by Watson Wyatt, the scheme actuaries and consultants as at 30 June 2003, and includes a separate actuarial valuation for the Final Salary Guarantee section of the Pension Plan. An update has been prepared by the same consultants for the year ended 30 June 2004.

#### l) Leased assets

Assets held under finance lease are capitalised and included in fixed assets. Costs in respect of operating leases are charged on a straight line basis over the lease term.

## 2 Additional disclosure

### 2.1 Restatement of depreciation

During the prior financial year, the company switched to using an automated fixed asset register accounting package. As result of this, Management determined that depreciation had been overstated due to mis-categorisation of certain assets. The net effect on the profit and loss account was to increase profit before tax by £4,865,816 and to increase the net book value of tangible assets by £4,865,816. The effect of the implementation of the fixed asset register is disclosed below.

Effects of depreciation adjustment

	<u>2003</u> <u>£'000</u>
<b>Net reduction to accumulated depreciation</b>	
Fixtures and fittings	4,919
Office equipment	3,221
Arts and antiques	100
Leasehold improvements	(3,448)
Freehold improvements	74
<b>Total</b>	<u>4,866</u>

### 2.2 Administrative expenses

A 2002 provision against performance fee debtors was released to the profit and loss during 2003. This has had the impact of decreasing administrative expenses by £2,739,000 and increasing profit after tax by £1,917,300.

**FIDELITY INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS – Continued**

**3 Directors' emoluments**

<i>All directors</i>	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Aggregate emoluments	4,819	5,022
Company pension contributions to defined contribution schemes	328	345

Retirement benefits are accruing to 8 (2003: 9) directors under a defined contribution scheme.

<i>Highest paid director</i>	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Aggregate emoluments	1,571	1,223
Company pension contributions to defined contribution schemes	63	63

**4 Employee information**

- a) The average number of persons employed by the group during the year, including directors, was 2,297 (2003 : 2,340).
- b) The aggregate amounts payable for the year for all employees including directors was:

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Salaries and bonus	151,384	130,120
Social security costs	18,103	15,574
Pension contributions (see note 1 (k))	9,871	9,807
	<u>179,358</u>	<u>155,501</u>

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

**5 Interest payable and similar charges**

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Interest payable on overdrafts and bank loans	248	202
Interest payable on other loans	855	710
	<u>1,103</u>	<u>912</u>

**FIDELITY INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS – Continued**

**6 Profit on ordinary activities before taxation**

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
The profit on ordinary activities before taxation is stated after charging :		
Loss on disposal of tangible fixed assets	58	4
Depreciation - owned assets	18,712	18,081
Write down of freehold property	21,054	-
Operating lease rentals - property	9,899	9,931
- plant and machinery	138	138
Charitable donations	10,220	4,250
Auditors' remuneration for :		
- audit services (Company £22,053; 2003 £23,718)	490	527
- other services (Company £153,301; 2003 £43,856)	1,394	399

**7 Taxation**

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

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
<b>Current taxation</b>		
UK corporation tax on profits for the period		
Current year	12,141	9,283
Prior year	(643)	3,660
Foreign taxation	801	272
Total current taxation	12,299	13,215
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(1,530)	1,646
Total deferred taxation	(1,530)	1,646
<b>Taxation on profit on ordinary activities</b>	10,769	14,861

**FIDELITY INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**7 Taxation (continued)**

- b) The taxation assessed for the period is greater than the standard rate of corporation taxation in the UK and the difference is made up as follows:

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
<b>Profit on ordinary activities before tax</b>	14,108	37,470
<b>UK corporation tax on profits at 30% (2003 : 30%)</b>	4,232	11,241
<b>Effects of :</b>		
Expenses not deductible for tax purposes	1,081	1,631
Capital allowances for period in excess of depreciation	(561)	(592)
Write down in fixed asset investment	6,369	-
Movement in long term accruals	1,663	(3,400)
Higher tax rates on overseas earnings	232	211
Adjustments to tax charge in prior periods	(643)	3,660
Other	(74)	464
<b>Total current taxation</b>	12,299	13,215

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
At 1 July	3,080	4,726	3,418	4,319
Deferred tax credit / (charge) in the profit and loss account for the period	1,530	(1,646)	1,619	(901)
<b>At 30 June</b>	4,610	3,080	5,037	3,418

- d) The deferred tax asset consists of:

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Accelerated capital allowances	(90)	(10)	633	395
Short-term timing differences	4,700	3,090	4,404	3,023
	4,610	3,080	5,037	3,418

**FIDELITY INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**8 Intangible fixed assets - The Group**

	<u><b>Goodwill</b></u> <u><b>£'000</b></u>
<b>Cost</b>	
At 1 July 2003	21,018
Additions	-
<b>At 30 June 2004</b>	<u><u>21,018</u></u>
<b>Amortisation</b>	
At 1 July 2003	14,714
Charge for the year	<u>1,051</u>
<b>At 30 June 2004</b>	<u><u>15,765</u></u>
<b>Net book value</b>	
<b>At 30 June 2004</b>	<u><u>5,253</u></u>
Net book value	
At 30 June 2003	<u><u>6,304</u></u>

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.



**FIDELITY INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**9 Tangible assets - The Group**

	<u>Freehold property</u> <u>£'000</u>	<u>Short leasehold improve- ments</u> <u>£'000</u>	<u>Office equipment</u> <u>£'000</u>	<u>Computer equipment</u> <u>£'000</u>	<u>Fixtures and fittings</u> <u>£'000</u>	<u>Motor Vehicles</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
<b>Cost</b>							
At 1 July 2003	51,331	43,203	13,733	119,013	13,442	557	241,279
Exchange differences	(1,779)	(12)	(63)	(113)	(45)	-	(2,012)
Transfers	-	(1,309)	-	1,309	-	-	-
Additions	18,917	4,686	2,147	11,182	2,217	29	39,178
Disposals	-	(1,740)	(424)	(911)	(2)	(18)	(3,095)
<b>At 30 June 2004</b>	<b>68,469</b>	<b>44,828</b>	<b>15,393</b>	<b>130,480</b>	<b>15,612</b>	<b>568</b>	<b>275,350</b>
<b>Depreciation</b>							
At 1 July 2003	2,475	14,515	10,030	101,126	11,005	108	139,259
Exchange differences	(7)	(73)	(59)	(83)	(25)	(1)	(248)
Charge for the year	484	2,257	2,190	12,485	1,278	18	18,712
Disposals	-	(1,556)	(377)	(508)	-	-	(2,441)
Write down <sup>(1)</sup>	21,054	-	-	-	-	-	21,054
<b>At 30 June 2004</b>	<b>24,006</b>	<b>15,143</b>	<b>11,784</b>	<b>113,020</b>	<b>12,258</b>	<b>125</b>	<b>176,336</b>
<b>Net book value at 30 June 2004</b>	<b>44,463</b>	<b>29,685</b>	<b>3,609</b>	<b>17,460</b>	<b>3,354</b>	<b>443</b>	<b>99,014</b>
Net book value at 30 June 2003	48,856	28,688	3,703	17,887	2,437	449	102,020

<sup>(1)</sup> At June 30 2004 it was decided by the board of directors Fidelity Villa Mumm Limited, a wholly owned subsidiary of Fidelity Investment Management Limited, that the fair value of the freehold property was less than the carrying value. This has resulted in an impairment loss of £21,054,000 (€31,300,000).

# FIDELITY INVESTMENT MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - Continued

### 10 Interests in group undertakings - The Company

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

	<u>£'000</u>
<b>Cost or valuation</b>	
At 1 July 2003	77,198
Additions	-
<b>At 30 June 2004</b>	<u>77,198</u>

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.

<u>Name of company</u>	<u>Description of shares held</u>	<u>Proportion of nominal value of issued shares held in the group</u>	<u>Country of incorporation or registration</u>
		%	
Fidelity Investments International	Ordinary £1	98.00	England & Wales
Fidelity Investment Services Limited	Ordinary £1	100.00	England & Wales
Financial Administration Services Limited (formerly Fidelity Investments Limited)	Ordinary £1	100.00	England & Wales
Fidelity Pensions Management	Ordinary £1	100.00	England & Wales
Fidelity International Investment Advisors (UK) Limited	Ordinary £0.25	100.00	England & Wales
Fidelity Property Company Limited	Ordinary £1	100.00	England & Wales
Fidelity Administration Limited (Formerly Fidelity Administration Services Limited)	Ordinary £1	100.00	England & Wales
Fidelity Investment Services GmbH	Ordinary 1 DM	100.00	Germany
Fidelity Investissements SAS	Ordinary 1 FF	100.00	France
Fidelity Investments Securities Trust Co. Limited	Ordinary NT\$10	100.00	Taiwan
Fidelity Villa Mumm Limited	Ordinary £1	100.00	England & Wales

## FIDELITY INVESTMENT MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### 10 Interests in group undertakings - continued

The principal business activities of these subsidiaries are:

Fidelity Investments International (Regulated by the FSA)	- distributor of Fidelity's funds and investment management services
Fidelity Investment Services Limited (Regulated by the FSA)	- the management and distribution of authorised unit trusts and OEICs
Financial Administration Services Limited (formerly Fidelity Investments Limited) (Regulated by the FSA)	- the management of ISAs and PEPs for private investors
Fidelity Pensions Management (Regulated by the FSA)	- the management of pension fund portfolios
Fidelity International Investment Advisors (UK) Limited (Regulated by the FSA)	- investment advisory services
Fidelity Property Company Limited	- development of property for investment purposes and acting as a letting agent
Fidelity Administration Limited (Formerly Fidelity Administration Services Limited)	- provision of administrative services and hiring of fixed assets
Fidelity Investment Services GmbH (Regulated by the BAK)	- distributor of Fidelity's funds
Fidelity Investissements SAS (Regulated by the COB)	- provision of administrative services
Fidelity Investments Securities Trust Co. Limited (Regulated by the TSFC)	- distributor of domestically established funds
Fidelity Villa Mumm Limited	- development of property for investment purposes and acting as a letting agent

#### Note

BAK	Bundesaufsichtamt für das Kreditwesen
COB	Commission Operations des Bourses
FSA	Financial Services Authority
TSFC	Taiwan Securities and Futures Commission

# FIDELITY INVESTMENT MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - Continued

### 11 Fixed asset investments

	<u>The Group</u>			<u>The Company</u>		
	<u>Associated undertaking £'000</u>	<u>Other investment £'000</u>	<u>Total £'000</u>	<u>Associated undertaking £'000</u>	<u>Other investment £'000</u>	<u>Total £'000</u>
Cost or valuation at 1 July 2003	1,030	81	1,111	1,030	81	1,111
Additions <sup>(1)</sup>	-	69	69	-	-	-
Share of retained loss for the year	(812)	-	(812)	(812)	-	(812)
Cost or valuation at 30 June 2004	218	150	368	218	81	299

<sup>(1)</sup> The addition is due to a share reallocation by Society for Worldwide Interbank Financial Telecommunication to Fidelity Investments International. There were 52 ordinary shares allocated. The shareholding is 0.06% at the year end. The company is incorporated in Belgium with a fiscal year end of 31 December.

The associated undertaking is EMX Company Limited, an electronic dealing and settlement system service provider for investment funds. The shareholding at the year end was 30.2% (2003: 29.8%). The shareholding increased as a result of other shareholders redeeming their shares and not as a result of additional purchase of shares. The company is incorporated in the United Kingdom with a fiscal year end of 31 December.

### 12 Debtors: amounts falling due after more than one year

	<u>The Group</u>		<u>The Company</u>	
	<u>2004 £'000</u>	<u>2003 £'000</u>	<u>2004 £'000</u>	<u>2003 £'000</u>
Deferred tax asset (note 6)	4,610	3,080	5,037	3,418
Subordinated loans to group undertakings <sup>(1)</sup>	-	-	10,000	7,500
Loan to the Fidelity UK Foundation <sup>(2)</sup>	89	195	89	195
	4,699	3,275	15,126	11,113

<sup>(1)</sup> The subordinated loan to group undertakings is repayable upon the expiry of three months written notice expiring after 16 October 2005, together with written consent from the Financial Services Authority.

<sup>(2)</sup> Repayable over eight years to the year ended 30 June 2006.

**FIDELITY INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**13 Debtors: amounts falling due within one year**

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Accounts receivable – customers and funds	157,967	183,550	-	-
Amounts owed by parent undertakings	37,519	20,699	23,059	7,423
Amounts owed by group undertakings	-	-	88,156	53,198
VAT Recoverable	-	-	2,142	1,135
Other debtors	9,457	13,911	1,336	1,135
Prepayments and accrued income	5,883	4,830	5,167	4,210
Loan to the Fidelity UK Foundation	89	98	89	98
Corporation tax	376	1,141	8,824	6,022
	<u>211,291</u>	<u>224,229</u>	<u>128,773</u>	<u>73,221</u>

**14 Current asset investments**

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Mutual and collective fund investments	99,760	78,992	85,084	67,009
	<u>99,760</u>	<u>78,992</u>	<u>85,084</u>	<u>67,009</u>

**15 Cash at bank and in hand**

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cash at bank and in hand	22,670	22,746	2,471	4,302

Certain of the company's and the group's bank balances are subject to a legal set off agreement as explained in note 28 (b).

**FIDELITY INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**16 Creditors: amounts falling due within one year**

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Bank overdrafts	1,153	1,809	134,006	102,706
Accounts payable - customers and funds	137,575	163,786	-	-
Amounts owed to parent undertakings <sup>(1)</sup>	38,694	2,290	38,625	-
Amounts owed to group undertakings	-	-	121	24
Corporation tax	3,501	1,168	-	-
PAYE & social security	3,549	3,065	3,049	2,681
VAT	1,651	1,582	-	-
Other creditors	20,409	12,830	2,210	1,932
Accruals and deferred income	109,185	92,336	89,316	76,017
	<u>315,717</u>	<u>278,866</u>	<u>267,327</u>	<u>183,360</u>

<sup>(1)</sup> Amounts due to parent undertakings include a discounted promissory note payable to Fidelity International Limited by Fidelity Investment Management Limited. The balance at the year end was £37,957,000. The note is repayable on 21<sup>st</sup> October 2004.

**17 Creditors: amounts falling due after more than one year**

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Amounts owed to parent undertakings <sup>(1)</sup>	-	34,116	-	-
Accruals and deferred income	2,651	2,990	2,497	2,813
	<u>2,651</u>	<u>37,106</u>	<u>2,497</u>	<u>2,813</u>

<sup>(1)</sup> Amounts due to parent undertakings included a promissory note payable to Fidelity International Limited by Fidelity Villa Mumm Limited. Interest was payable at EURIBOR +1%. The note was repaid during the year.

## FIDELITY INVESTMENT MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### 18 Provisions for liabilities and charges

The provisions can be categorised as follows:

	<u>Pension Provision</u> £'000	<u>Restructuring Provision</u> £'000	<u>Total</u> £'000
At 1 July 2003	3,092	1,979	5,071
Additional provisions	-	-	-
At 30 June 2004	<u>3,092</u>	<u>1,979</u>	<u>5,071</u>

#### Pension provision

In 1986 the company changed its defined benefit pension plan to a defined contribution scheme. At that time, a number of employees were given assurances that their DC pension pool would be equal to the amount required to buy an annuity under the original scheme. This provision relates to the estimated shortfall in relation to those assurances for a small number of employees.

#### Restructuring provision

The restructuring of certain divisions within the company will result in the transfer of a number of jobs to New Delhi, India. Restructuring costs consist mainly of dilapidation costs of premises that will no longer be required.

#### 19 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 profit for the year of £3,298,000 (2003 : £22,654,000), a loss of £8,654,000 (2003: profit £4,636,000) has been dealt with in the accounts of Fidelity Investment Management Limited.

**FIDELITY INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS – Continued**

**20 Reconciliation of operating profit to net cash inflow from operating activities**

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Operating profit	12,244	35,606
Amortisation of goodwill	1,051	1,051
Depreciation charges	18,712	18,081
Loss on sale of tangible fixed assets	58	4
(Increase) / decrease in stocks	(607)	2
Decrease / (increase) in debtors	12,189	(62,781)
(Decrease) / increase in creditors	(2,675)	47,821
Increase in provisions	-	5,071
Exchange (gain) / loss on promissory note	(1,599)	1,953
Write down of assets	21,054	-
Exchange loss / (gain) on fixed assets	1,764	(1,356)
Exchange loss on interest capitalised	16	48
Exchange loss / (gain) on movement in liquid resources	583	(2,188)
Other exchange (gains) / losses	(750)	391
	<hr/>	<hr/>
Net cash inflow from operating activities	62,040	43,703
	<hr/>	<hr/>

**21 Reconciliation of net cash flow to movement in net debt**

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Increase / (decrease) in cash in the period	580	(2,621)
Cash used to increase liquid resources	21,350	16,227
Exchange gains / (losses)	(582)	2,188
	<hr/>	<hr/>
Movement in net funds in the period	21,348	15,794
Net funds at 1 July	99,929	84,135
	<hr/>	<hr/>
Net funds at 30 June	121,277	99,929
	<hr/>	<hr/>

**22 Analysis of changes in net funds**

	<u>At 1 July</u> <u>2003</u> <u>£'000</u>	<u>Cash flows</u> <u>£'000</u>	<u>Exchange</u> <u>gains</u> <u>£'000</u>	<u>At 30 June</u> <u>2004</u> <u>£'000</u>
Cash at bank and in hand, and bank overdrafts	20,937	580	-	21,517
Current asset investments	78,992	21,350	(582)	99,760
	<hr/>	<hr/>	<hr/>	<hr/>
Total	99,929	21,930	(582)	121,277
	<hr/>	<hr/>	<hr/>	<hr/>



**FIDELITY INVESTMENT MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**23 Called up share capital**

	<u>Authorised, issued &amp; fully paid 2004 £'000</u>	<u>Authorised, issued &amp; fully paid 2003 £'000</u>
30,000,000 ordinary £1 shares	30,000	30,000

**24 Reserves**

	<u>Group Profit &amp; Loss £'000</u>	<u>Company Profit &amp; Loss £'000</u>	<u>Group Capital Contribution £'000</u>	<u>Company Capital Contribution £'000</u>
At 30 June 2003	86,487	11,207	1,503	1,503
Retained profit/(loss) for the year	3,298	(8,654)	-	-
Exchange loss	(750)	-	-	-
At 30 June 2004	89,035	2,553	1,503	1,503

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

	<u>Group 2004 £'000</u>	<u>Group 2003 £'000</u>	<u>Company 2004 £'000</u>	<u>Company 2003 £'000</u>
Opening shareholders' funds	117,990	94,945	42,710	38,074
Profit/(loss) for the financial year	3,298	22,654	(8,654)	4,636
Exchange (loss)/ profit	(750)	391	-	-
Closing shareholders' funds	120,538	117,990	34,056	42,710

**26 Capital and other commitments**

At 30 June commitments in relation to the Group were as follows:

	<u>2004 £'000</u>	<u>2003 £'000</u>
Contracted but not provided for	7,889	21,711

There were no commitments as at 30 June 2004 in relation to the Company (2003 : £Nil).

# FIDELITY INVESTMENT MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - Continued

### 27 Financial commitments

The group has the following annual commitments in respect of operating leases expiring :

	<u>Land &amp; buildings</u> <u>2004</u> <u>£'000</u>	<u>Land &amp; buildings</u> <u>2003</u> <u>£'000</u>
Within one year	-	562
Between two and five years	2,875	972
After five years	8,745	9,260
	<u>11,620</u>	<u>10,794</u>

### 28 Contingent amounts

- 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 the Company is jointly and severally liable for any liabilities which may arise under this agreement. As at 30 June 2004 the net bank overdraft on group accounts held within the arrangement was £252,000 (2003 net bank overdraft : £1,809,000).
- The company's ultimate holding company, Fidelity International Limited, has agreed to provide each subsidiary of Fidelity Investment Management Limited which is regulated by the FSA, without recourse to any such subsidiary, such funds, to a maximum of £100m, as may be required from time to time to enable each such subsidiary to continue to satisfy the financial resources requirements under the FSA Regulations.

## FIDELITY INVESTMENT MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - Continued

#### 29 Related Party Transactions

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

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 £44,936,000 (2003 : £29,700,000) in revenue and £15,696,000 (2003: £17,204,000) in expenses;
- b) the provision of corporate management services for which the Group recorded expenses of £2,498,000 (2003: £2,661,000);
- c) the distribution of Fidelity products, for which the Group recorded revenue of £35,614,000 (2003: £28,268,000);
- d) the provision of software development for which the Group recorded revenue of £25,582,000 (2003: £24,573,000);
- e) the provision of marketing services for which the Group recorded revenue of £8,791,000 (2003: £7,434,000);
- f) the provision of systems usage for which the Group recorded expenses of £14,134,000 (2003: £13,031,000);
- g) the provision of administration services for which the Group recorded income of £37,835,000 (2003: £43,529,000);
- h) the provision of product development services for which the Group recorded income of £864,000 (2003: £915,000);
- i) the provision of system support services for which the Group recorded income of £20,204,000 (2003: £15,056,000);
- j) the provision of finance for which the Group recorded interest expenses of £855,000 (2003 : £710,000) and capitalised interest of £394,000 (2003 : £988,000).

The net balance owing to the FIL Group at 30 June 2004 in relation to the above transactions was £507,000 (2003: £18,823,000).

The Group received management fees of £1,004,000 (2003: £704,831) from the Group Pension Scheme. There was no balance outstanding at either 30 June 2004 or 30 June 2003.

The Group conducts business activities with entities which indirectly have certain shareholders in common with the ultimate parent company, the most significant of which were asset management services and telecommunication services. During 2004 the Group recorded revenues of £13,273,000 and expenses of £16,721,000 (2003: revenues of £26,272,000 and expenses of £21,966,000) for such services.

At 30 June 2004 the net balance due to these entities in relation to asset management transactions was £nil (2003: £nil) and for telecommunications services £192,000 (2003: £426,000).

During 1998 the Group made a loan of £773,000 to the Fidelity UK Foundation (a registered charity). £178,000 (2003 : £293,000) remains outstanding at the year end.

## **FIDELITY INVESTMENT MANAGEMENT LIMITED**

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

#### **29 Related Party Transactions (continued)**

The Group conducts certain business activities with EMX Company Limited in which it has a 30.2% interest. They shared a common director; Simon Haslam until 10 March 2004 and Andrew Steward thereafter. These include utilising its electronic messaging service. During 2004 the Group paid £138,000 (2003 : £44,807) for these services. At 30 June 2004 the balance owing in relation to these transactions was £35,000 (2003 : £NIL).

The Group holds short term investments in the Institutional Cash Fund Plc, a money market fund managed by Fidelity International Limited (Bermuda), who has delegated this responsibility to Fidelity Investments International. The amount held at 30 June 2004 amounted to £99,548,000 (2003 : £71,112,000).