

FIL Investments International

Company number: 1448245

Annual Report and Financial Statements

Year ended

30 June 2019

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FIL Investments International

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

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Directors

N Birchall
N Cable
D Rossi
R Sathyan

Secretary and registered office

FIL Administration Limited, Oakhill House, 130 Tonbridge Road, Hildenborough, Kent, TN11 9DZ

Company number

1448245

Independent Auditors

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

FIL Investments International

Strategic report for the year ended 30 June 2019

The directors present their strategic report for FIL Investments International ("the company") for the year ended 30 June 2019.

Principal activities

The principal activity of the company during the year was the investment management of a range of Fidelity International's funds and Investment Trusts.

The company is authorised and regulated by the Financial Conduct Authority ("FCA").

Business review and position

The results for the company are set out on page 9. The company's profit for the financial year is £43,856,000 (2018: £25,704,000). Both turnover and administrative expenses have decreased over the year.

The company's balance sheet is set out on page 11 and shows net assets including pension scheme liabilities at 30 June 2019 of £100,275,000 (2018: £80,564,000).

Key performance indicators ("KPIs")

The directors of the company are of the opinion that its KPIs are consistent with those of the group headed by FIL Holdings (UK) Limited ("FHL"), of which the company is a member, and therefore separate disclosure is not necessary. Details of these KPIs may be found in the consolidated financial statements of FHL.

Pillar 3 Disclosure

In accordance with the FCA requirements of the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') Chapter 11, 'Disclosure (Pillar 3)', the company is required to publish further information to allow external parties to assess the capital adequacy of the organisation. This disclosure is provided on the basis of the consolidated situation of the EU parent company, which is FHL. The Pillar 3 report is available on the Fidelity International website www.fidelity.co.uk.

Development of the business

The company's investment management activities are expected to continue during the coming year. Future levels of activity are partly dependent on market strength and investor confidence.

Risk management

The company is exposed to three broad types of risk: operational, strategic and financial risk. 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 FIL Holdings (UK) Limited group of companies ("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.

FIL Investments International

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

Risk management (*continued*)

Operational risk (continued)

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.

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.

The company is also exposed to market risk indirectly, since components of revenue are driven by asset values of funds under management and hence the prices of securities. This risk is managed through regular monitoring of the assets under management by active cost control.

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.

FIL Investments International

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

Risk management (*continued*)

Investment risk

Investment Risk covers risks arising in the investment funds managed by the company. It is borne by investors, provided the company manages the funds within limits and in line with investor expectations. The company is actively managing communications and disclosures with investors to ensure that the risk profile of the funds is transparent and understood by those who ultimately bear this type of risk. Investment risk includes counterparty/credit, market and liquidity risks in the funds, all of which are monitored through risk indicators to ensure that the funds are not exposed to significant credit or concentration risk with respect of their primary counterparties.

Approval

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



N Birchall
Director

FIL Investments International

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:

N Birchall
K Bonin (resigned 1 October 2018)
N Cable
C McKenzie (resigned 31 December 2018)
D Rossi
R Sathyan

Dividends

An interim dividend of £24,000,000 (2018: £nil) was paid in the year. No final dividend is proposed (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 to 3.

Overseas branches

During the year, the company disposed of its existing branches in Italy and Germany. A gain on disposal of £12,629,000 was recognised for the transfer of the Italian and German investment management businesses to another entity within the FIL Limited group. The company also closed its branches in Ireland, Canada and the representative office in Dubai.

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 date of approving this directors' report, the company has maintained liability insurance for directors.

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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), and applicable law).

FIL Investments International

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

Statement of directors' responsibilities (*continued*)

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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, 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 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.

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.



N Birchall
Director

FIL Investments International

Independent auditors' report to the members of FIL Investments International

Report on the audit of the financial statements

Opinion

In our opinion, FIL Investments International'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 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 Investments International

Independent auditors' report to the members of FIL Investments International (*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 Investments International

Independent auditors' report to the members of FIL Investments International (*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.

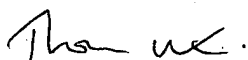
Other required reporting

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 Investments International

Profit and loss account for the year ended 30 June 2019

	Note	2019 £'000	2018 £'000
Turnover	3	313,948	323,908
Administrative expenses		(271,249)	(292,764)
Operating profit	4	42,699	31,144
Profit on disposal of European branches		12,629	-
Interest receivable and similar income	7	523	351
Interest payable and similar charges	8	(2)	(8)
Other finance costs	9	(23)	(44)
Profit on ordinary activities before taxation		55,826	31,443
Tax on profit on ordinary activities	10	(11,970)	(5,739)
Profit for the financial year		43,856	25,704

All operations are continuing.

The notes on pages 13 to 26 form an integral part of these financial statements.

FIL Investments International

Statement of comprehensive income for the year ended 30 June 2019

	Note	2019 £'000	2018 £'000
Profit for the financial year		43,856	25,704
Currency translation differences on overseas branches		161	(43)
Re-measurement (loss) / gain on defined benefit pension scheme	21	(320)	306
Movement on deferred tax relating to pension liability	10	14	(11)
Total other comprehensive (expense) / income for the year, net of tax		(145)	252
Total comprehensive income for year		43,711	25,956

The notes on pages 13 to 26 form an integral part of these financial statements.

FIL Investments International

Balance sheet As at 30 June 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Tangible assets	12		-		1
Investments	13		2,440		2,297
			<u>2,440</u>		<u>2,298</u>
Current assets					
Debtors:					
amounts falling due within one year	14	71,633		31,463	
amounts falling due after one year	15	515		1,048	
Investments	16	42,442		48,569	
Cash at bank and in hand		4,042		7,485	
		<u>118,632</u>		<u>88,565</u>	
Creditors: amounts falling due within one year	17	<u>(20,249)</u>		<u>(8,060)</u>	
Net current assets			<u>98,383</u>		<u>80,505</u>
Total assets less current liabilities			<u>100,823</u>		<u>82,803</u>
Creditors: amounts falling due after more than one year	18		<u>-</u>		<u>(404)</u>
Net assets excluding pension liability			<u>100,823</u>		<u>82,399</u>
Pensions and similar obligations	21		<u>(548)</u>		<u>(1,835)</u>
Net assets			<u>100,275</u>		<u>80,564</u>
Capital and reserves					
Called up share capital	19	225		225	
Share premium account	20	2,222		2,222	
Capital contribution	20	8,000		8,000	
Other reserve	20	1		1	
Profit and loss account	20	89,827		70,116	
Total equity			<u>100,275</u>		<u>80,564</u>

The notes on pages 13 to 26 form an integral part of these financial statements.

The financial statements on pages 9 to 26 were approved by the Board of Directors on 27 September 2019 and signed on its behalf by:



N Birchall
Director

Company registration number: 1448245

FIL Investments International

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

	Note	Called up share capital £'000	Share premium account £'000	Capital contribution £'000	Other reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 July 2017		225	2,222	3,000	1	44,160	49,608
Profit for the year		-	-	-	-	25,704	25,704
Other comprehensive income for the year		-	-	-	-	252	252
Total comprehensive income for the year		-	-	-	-	25,956	25,956
Capital contribution		-	-	5,000	-	-	5,000
At 30 June 2018		225	2,222	8,000	1	70,116	80,564
Profit for the year		-	-	-	-	43,856	43,856
Other comprehensive expense for the year		-	-	-	-	(145)	(145)
Total comprehensive income for the year		-	-	-	-	43,711	43,711
Dividends	11	-	-	-	-	(24,000)	(24,000)
At 30 June 2019		225	2,222	8,000	1	89,827	100,275

The notes on pages 13 to 26 form an integral part of these financial statements.

FIL Investments International

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

1 Accounting policies

General information

FIL Investments International is a private unlimited company incorporated in England. The registered office is Oakhill House, 130 Tonbridge Road, Hildenborough, Kent TN11 9DZ.

Statement of compliance

The financial statements of FIL Investments International 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 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

Revenue, which arises primarily within the United Kingdom and excludes value added tax, comprises investment management fees and advisory fees, and service fees. Revenues are recognised as earned on an accruals basis.

Accounts receivable from revenues include both earned and unbilled items as well as billed items pending collection. Accounts receivable are reported at book value less allowance for doubtful accounts.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes expenditure that is directly attributable to making the asset capable of operating in the manner intended.

FIL Investments International

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

1 Accounting policies (*continued*)

Tangible fixed assets and depreciation (continued)

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land and artwork and antiques, over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Leasehold property improvements	-	4 to 25 years
Office equipment	-	3 to 4 years
Computer hardware	-	5 years
Fixtures and fittings	-	5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the profit and loss account.

Impairment of fixed assets

Assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised in profit or loss for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use.

Fixed assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased. A reversal of an impairment loss is recognised in profit or loss.

Fixed asset investments

a) Investments in subsidiaries

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

b) Equity investments

Equity investments comprise unquoted equity instruments, which have been classified as fixed asset investments as the company intends to hold them on a continuing basis. Equity investments are measured at fair value with changes in fair value recognised in profit or loss, except where equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably are measured at cost less impairment until a reliable measure of fair value becomes available. Where a reliable measure of fair value is no longer available at each balance sheet date for an unquoted equity instrument, its fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument.

Current asset investments

Current asset investments comprise investments in mutual and collective funds 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 and deposits that are repayable on demand.

FIL Investments International

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.

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.

Deferred tax 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.

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.

Profits and losses of foreign branches are translated into sterling at the average rates of exchange during the year. Exchange differences arising when the profit and loss accounts are compared with rates ruling at the year-end are recognised in other comprehensive income.

Dividends

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

FIL Investments International

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

1 Accounting policies (*continued*)

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 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.

Pension costs

Another group company, FIL Investment Management Limited ("FIML"), operates a self-administered defined contribution scheme in which eligible employees of the group headed by FHL and directors of the company participate. The company is allocated an amount of FIML's expense through an expense allocation. A full description of the plan is included in the FIML financial statements.

In addition, the company funds pension liabilities in respect of the defined contribution plans operated by European branches by way of payments to an insurance company. These funds are invested and managed independently from the finances of the company. All contributions are charged against profits of the year to which they relate.

The German branch also has a partly funded defined benefit scheme for German employees, as described in note 21. During the year, all 10 active participants of the scheme were transferred to another entity within the FIL Limited group as part of the sale of the German branch business. The pension liability for deferred members remains in the company.

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 euros 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 're-measurement 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.

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'.

FIL Investments International

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

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 corporate bonds in the respective currency, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 21.

- *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 10.

3 Turnover

	2019 £'000	2018 £'000
Investment management and advisory fees	305,346	316,663
Other income	8,602	7,245
	<u>313,948</u>	<u>323,908</u>

4 Operating profit

	2019 £'000	2018 £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	1	5
Operating lease rentals	40	54
Exchange differences	(132)	180
Intra-group expense allocation	<u>267,955</u>	<u>281,218</u>

A number of operating expenses, including UK staff costs, have been initially paid by FIML and allocated to the company.

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. Auditors' remuneration for audit and non-audit services has been borne by FIML. The audit fees for the company are £45,000 (2018: £45,000).

FIL Investments International

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

5 Employees

	2019 £'000	2018 £'000
Staff costs consist of:		
Wages and salaries	1,912	4,650
Social security costs	1,037	258
Other pension costs	231	74
	<u>3,180</u>	<u>4,982</u>

The information above relates solely to staff directly employed by the company's European branch network. As set out in note 4, FIML employs all UK staff.

The average monthly number of persons, directly employed within the company's European branch network during the year was 9 (2018: 15), all of whom work in sales, marketing and investment management. These employees are members of various defined contribution and defined benefit schemes operated by the company. All employees were transferred to another entity within the FIL Limited group as part of the sale of the German and Italian branch businesses during the year.

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

6 Directors' remuneration

	2019 £'000	2018 £'000
Directors' emoluments	465	924
Group contributions to defined contribution schemes	4	8
Compensation for loss of office	115	83
	<u>584</u>	<u>1,015</u>

During the year, retirement benefits were accruing to 2 directors (2018: 4) under a defined contribution scheme.

Emoluments of the highest paid director were £117,000 (2018: £311,000). Company pension contributions of £nil (2018: £nil) were made to a defined contribution scheme on their behalf.

7 Interest receivable and similar income

	2019 £'000	2018 £'000
Bank interest receivable	3	13
Income from current asset investments	377	134
Changes in fair value of fixed asset investments	143	204
	<u>523</u>	<u>351</u>

8 Interest payable and similar charges

	2019 £'000	2018 £'000
Other interest payable	<u>2</u>	<u>8</u>

FIL Investments International

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

9 Other finance costs

	2019 £'000	2018 £'000
Net interest on net defined benefit pension liability	23	44

10 Tax

	2019 £'000	2018 £'000
<i>Current tax</i>		
UK corporation tax on profits for the year	1,929	4,693
Adjustment in respect of previous periods	308	(82)
Amount payable to FIL Group companies in respect of group relief	5,330	-
Adjustment to group relief in respect of previous periods	-	190
Foreign tax	3,683	891
Adjustment to foreign tax in respect of previous periods	(14)	12
Total current tax	11,236	5,704
<i>Deferred tax</i>		
Origination and reversal of timing differences	734	35
Tax on profit on ordinary activities	11,970	5,739

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

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	55,826	31,443
Profit on ordinary activities at the standard rate of UK corporation tax of 19% (2018: 19%)	10,607	5,974
Effects of:		
Expenses not deductible for tax purposes	44	18
Non-profit based overseas taxes	1,018	275
Compensating adjustments	(622)	(622)
Adjustment in respect of previous periods	308	(95)
Adjustment to foreign tax in respect of previous periods	(14)	-
Adjustments in respect of prior year deferred tax	38	(36)
Group relief adjustment in respect of a prior year	-	190
Taxes related to transfer of overseas branches	397	-
Rate change in respect of deferred tax	165	25
Other	29	10
Total tax charge for year	11,970	5,739

FIL Investments International

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

10 Tax (continued)

In current year the company claimed tax losses of £28,052,000 (claimed 2018: £nil) as group relief to FIL Group companies for £5,330,000 consideration (2018: £nil).

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.

The deferred tax (liability) / asset in the balance sheet consists of:

	2019 £'000	2018 £'000
Short term timing differences	(205)	351
Defined benefit pension schemes	118	287
	<u>(87)</u>	<u>638</u>

The movements on the deferred tax (liability) / asset are as follows:

	2019 £'000	2018 £'000
At 1 July	638	658
Deferred tax charge in the profit and loss account for the year	(734)	(35)
Foreign exchange movement on deferred tax balances	(5)	26
Amount charged to other comprehensive income	14	(11)
At 30 June	<u>(87)</u>	<u>638</u>

11 Dividends

	2019 £'000	2018 £'000
Equity - Ordinary shares		
Interim paid of £26.62(2018: £nil) per £0.25 share	<u>24,000</u>	<u>-</u>

The directors have not proposed a final dividend for the year ended 30 June 2019 (2018: £nil).

FIL Investments International

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

12 Tangible fixed assets

	Leasehold improvements £'000	Office and computer hardware £'000	Total £'000
<i>Cost or valuation</i>			
At 1 July 2018	40	62	102
Disposals	(40)	(62)	(102)
At 30 June 2019	-	-	-
<i>Accumulated depreciation</i>			
At 1 July 2018	40	61	101
Provision for year	-	1	1
Disposals	(40)	(62)	(102)
At 30 June 2019	-	-	-
<i>Net book value</i>			
At 30 June 2019	-	-	-
At 30 June 2018	-	1	1

13 Fixed asset investments

	Investment in subsidiary undertakings £'000	Other unquoted equity investments £'000	Total £'000
<i>Cost or valuation and net book value</i>			
At 1 July 2018	1	2,296	2,297
Change in fair value	-	143	143
At 30 June 2019	1	2,439	2,440

Other fixed asset investments comprise of equity shares in Society for Worldwide Interbank Financial Telecommunication and FIL (Luxembourg) S.A.

Details of the company's subsidiary

The company's investment in subsidiaries is made up as follows:

Name of investment	Country of incorporation	Proportion of nominal value of ordinary shares and voting rights	Principal activity	£'000
FIL Securities (UK) Limited	England	100%	Dormant	1

The company is a wholly-owned subsidiary within the FHL group and is included in the consolidated financial statements of FHL 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 registered office of FIL Securities (UK) Limited is 4 Cannon Street, London, England, EC4M 5AB.

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

FIL Investments International

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

14 Debtors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade debtors	3,489	6,840
Amounts owed by group undertakings	67,334	22,737
Other debtors	501	410
VAT recoverable	309	1,351
Deferred tax asset	-	125
	<u>71,633</u>	<u>31,463</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15 Debtors: amounts falling after one year

	2019 £'000	2018 £'000
Deferred tax	-	513
Long term deposits	515	535
	<u>515</u>	<u>1,048</u>

Long term deposits are non-interest bearing.

16 Current asset investments

	2019 £'000	2018 £'000
Mutual and collective fund investments	<u>42,442</u>	<u>48,569</u>

17 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings	8,648	646
Other taxation and social security	-	67
Accruals and deferred income	1,402	3,628
Corporation tax	10,112	3,719
Deferred tax liability	87	-
	<u>20,249</u>	<u>8,060</u>

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

FIL Investments International

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

18 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Accruals and deferred income	-	404

19 Called up share capital

	2019 £'000	2018 £'000
<i>Allotted, called up and fully paid</i>		
901,460 (2018: 901,460) ordinary shares of £0.25 each	225	225

20 Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital contribution

Capital contribution records the amount of equity capital contributed to the company by its parent undertaking which has not made in exchange for shares issued.

Other reserve

The other reserve arose on the acquisition of subsidiaries in prior years.

Profit and loss account

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

21 Pensions and similar obligations

For German employees who fall outside the scope of the defined contribution pension scheme and the UK pension plan there is a German pension plan and a deferred compensation plan, both of which are partly funded schemes and treated as defined benefit schemes. A full actuarial valuation of the Fidelity German Pension Plan was carried out at 30 June 2019 by WillisTowersWatson Deutschland GmbH.

<i>Principal actuarial assumptions used at the balance sheet date</i>	2019 %	2018 %
Discount rate	1.30	1.90
Rate of pension increases for in-payment benefits		
- For hires before 30 June 2000	1.75	1.75
- For hires after 30 June 2000	1.00	1.00
Rate of salary increase	2.75	2.75
Inflation rate	1.75	1.75

FIL Investments International

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

21 Pensions and similar obligations (*continued*)

<i>Assets and liabilities of the scheme</i>	2019 £'000	2018 £'000
<i>Scheme assets at fair value:</i>		
Equities	82	347
Debt	180	664
Other	48	185
Fair value of scheme assets	310	1,196
Present value of scheme liabilities	(858)	(3,031)
Net defined benefit liability	(548)	(1,835)
<i>Amounts recognised in profit and loss account</i>	2019 £'000	2018 £'000
<i>Included within administrative expenses:</i>		
Current service cost	(132)	(245)
Net interest on net defined benefit liability	(23)	(44)
Total recognised in the profit and loss account	(155)	(289)
<i>Amounts recognised in other comprehensive income</i>	2019 £'000	2018 £'000
Actuarial (loss)/gain arising during year	(338)	324
Return on plan assets greater/(less) than discount rate	34	(9)
Exchange differences	(16)	(9)
Re-measurement (loss)/gain recognised in other comprehensive income	(320)	306
<i>Reconciliation of present value of plan liabilities</i>	2019 £'000	2018 £'000
At 1 July	3,031	3,341
Current service cost	132	245
Interest cost	46	71
Re-measurement loss/(gain)	338	(324)
Transfer payments	(2,714)	(349)
Exchange differences	25	47
At 30 June	858	3,031
<i>Reconciliation of fair value of plan assets</i>	2019 £'000	2018 £'000
At 1 July	1,196	1,221
Interest income	23	26
Return on plan assets greater/(less) than discount rate	34	(9)
Company contributions paid	17	15
Transfer payments	(983)	(88)
Exchange differences	23	31
At 30 June	310	1,196

FIL Investments International

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

21 Pensions and similar obligations (*continued*)

During the year, 10 active participants were transferred to another entity within the FIL Limited group as part of the sale of the German branch business.

22 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 accounts 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%.

23 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	-	12
Later than 1 year and not later than 5 years	-	2
Total	-	14

24 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	44,882	50,866
Financial assets that are debt instruments measured at amortised cost	71,324	29,987
Financial liabilities		
Financial liabilities measured at amortised cost	8,648	646

Financial assets measured at fair value through profit or loss comprises fixed asset investments in unlisted company shares and current asset investments.

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

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

FIL Investments International

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

25 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 is regarded under FRS 102 as a related party with the underlying Investment Trusts that it manages by virtue of the influence it has over their operations. Amounts paid to the company in respect of management, accounting, administrative and secretarial services provided to the Investment Trusts totalled £16,557,000 (2018: £19,265,000) for the year and amounts due at 30 June 2019 are £1,539,000 (2018: £5,154,000).

26 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.