

**FIDELITY INVESTMENT MANAGEMENT
LIMITED**

(Registered no : 2349713)

**Annual Report
for the year ended 30 June 2003**



FIDELITY INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2003

The directors submit their annual report and audited financial statements for the year ended 30 June 2003, 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 2003 has been characterised by volatility and changing market sentiment in most global markets. The terrorist attacks of September 11th and the prolonged retaliation thereto have caused worldwide investor uncertainty. This was further compounded by various corporate accounting scandals. A stable turnover was maintained by utilising the research talent within the group to support informed investment management decisions. In addition, new funds were launched providing new opportunities for investors.

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

FundsNetwork™, Fidelity's funds supermarket accessed via the www.fidelity.co.uk website, continued to expand during 2003. It currently offers direct customers and brokers the opportunity to make a selection from over six hundred funds managed by forty three different fund companies for investment within the Fidelity ISA.

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

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors of the company during the year ended 30 June 2003, 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 ("ECF") which was established on 9 December 1999. The objective of the ECF 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 £4,250,000 (2002 : £3,970,000) 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 £54,683 (2002: £15,883).

A political contribution of £500 (2002 : £500) was made to the Tonbridge, Edenbridge and Malling Conservative Party.

Directors' loans

During the year, a quasi loan of £3,025 was made to one director. The amount outstanding at 30 June 2003 was £NIL (2002: £ NIL).

Registered auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 31 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. 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

16 October 2003

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 of the profit or loss of the Company 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 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 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 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**

16 October 2003

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 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.

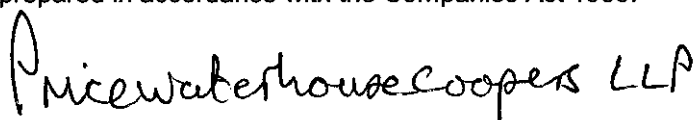
Basis of audit opinion

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 2003, and of the profit and cash flow 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
16 October 2003

FIDELITY INVESTMENT MANAGEMENT LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
30 JUNE 2003**

	<u>Notes</u>	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Turnover		404,650	438,606
Cost of sales		(52,742)	(66,765)
Gross profit		351,908	371,841
Administrative expenses		(315,251)	(340,160)
Amortisation of goodwill	8	(1,051)	(1,051)
Operating profit		35,606	30,630
Share of loss from interest in associate undertaking	11	(1,223)	(297)
Interest receivable		3,999	3,190
Interest payable and similar charges	5	(912)	(1,791)
Profit on ordinary activities before taxation	6	37,470	31,732
Tax on profit on ordinary activity	7	(14,861)	(6,120)
Profit on ordinary activities after taxation		22,609	25,612
Equity minority interests		45	(146)
Profit for the financial year		22,654	25,466

All operations are regarded as continuing.

The notes on pages 9 to 27 form part of these financial statements.

FIDELITY INVESTMENT MANAGEMENT LIMITED

BALANCE SHEETS AS AT 30 JUNE 2003

		<u>The Group</u>		<u>The Company</u>	
	<u>Notes</u>	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Fixed assets					
Intangible assets	8	6,304	7,355	-	-
Tangible assets	2, 9	102,020	81,602	-	-
Interests in group undertakings	10	-	-	77,198	67,198
Fixed asset investments	11	1,111	1,504	1,111	1,504
		109,435	90,461	78,309	68,702
Current assets					
Stock of holdings		940	942	-	-
Debtors: amounts falling due after more than one year	12	3,275	5,043	11,113	4,636
Debtors: amounts falling due within one year	13	224,615	164,630	73,607	108,371
Investments	14	78,992	60,577	67,009	25,000
Cash at bank and in hand	15	22,746	23,819	4,302	1,588
		330,568	255,011	156,031	139,595
Creditors: amounts falling due within one year	16	(278,866)	(246,246)	(183,360)	(166,748)
Net current assets / (liabilities)		51,702	8,765	(27,329)	(27,153)
Total assets less current liabilities		161,137	99,226	50,980	41,549
Creditors: amounts falling due after more than one year	17	(37,106)	(3,652)	(2,813)	(3,475)
Provisions for liabilities and charges	18	(5,457)	-	(5,457)	-
Net assets		118,574	95,574	42,710	38,074
Capital and reserves					
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	86,487	63,442	11,207	6,571
Total equity shareholders' funds		117,990	94,945	42,710	38,074
Minority interests - equity		584	629	-	-
Total shareholders' funds		118,574	95,574	42,710	38,074

The financial statements on pages 5 to 27 were approved by the Board of Directors on 16 October 2003 and were signed on its behalf by


S M Haslam
Director

The notes on pages 9 to 27 form part of these financial statements

FIDELITY INVESTMENT MANAGEMENT LIMITED

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2003**

	<u>Notes</u>	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Profit for the financial year		22,654	25,466
Currency translation differences on foreign currency net investments		391	558
Total recognised gains relating to the year		23,045	26,024

The notes on pages 9 to 27 form part of these financial statements.

FIDELITY INVESTMENT MANAGEMENT LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

	<u>Notes</u>	<u>2003</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Net cash inflow from operating activities	20		43,703		80,366
Returns on investments and servicing of finance					
Interest received		3,960		3,185	
Interest paid		(912)		(1,791)	
Net cash inflow from returns on investments and servicing of finance			3,048		1,394
Taxation					
Corporation tax paid			(9,090)		(14,085)
Capital expenditure					
Purchase of tangible fixed assets		(36,416)		(26,478)	
Sale of tangible fixed assets		257		54	
Purchase of fixed asset investments		(830)		(1,801)	
Net cash outflow from capital expenditure			(36,989)		(28,225)
			672		39,450
Acquisitions and disposals					
Purchase of minority interest in subsidiary		-		(46)	
Net cash outflow from acquisitions and disposals			-		(46)
Management of liquid resources					
Purchase of current asset investments		(452,235)		(473,996)	
Sale of current asset investments		436,008		472,000	
Net cash outflow from management of liquid resources	21		(16,227)		(1,996)
Financing					
Increase in borrowings	21	12,934		-	
Net cash outflow from financing			12,934		-
Increase / (decrease) in cash	21, 22		(2,621)		37,408

The notes on pages 9 to 27 form part of these financial statements

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

A summary of significant accounting policies, which have been applied consistently, is set out below:

a) Historical cost convention

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

b) Basis of consolidation

The consolidated profit and loss account, balance sheet and cash flow include the financial statements of the company and its subsidiary undertakings made up to 30 June 2003. 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 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 are deferred until the full performance period has been completed.

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 associates refer to policy in 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 scheme open to all employees over 24 years of age. The scheme is a modified defined contribution scheme and pension costs are charged to the profit and loss account on an accruals basis in the period in which contributions are payable to the scheme.

In addition, there are 9 employees who were previously members of a defined benefit scheme. These employees are guaranteed a payout of no less than their benefits would have been under the old scheme. The most recent published actuarial valuation of the defined benefit scheme was as at 30 June 2001 and reported scheme assets of £2.3m which represented 132% of the scheme's liabilities.

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 current 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>
Net reduction to accumulated depreciation	
Fixtures and fittings	4,919
Office equipment	3,221
Arts and antiques	100
Leasehold improvements	(3,448)
Freehold improvements	74
Total	<hr/> 4,866 <hr/>

2.2 Administrative expenses

A prior year provision against performance fee debtors was released to the profit and loss during the year. 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

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
<i>All directors</i>		
Aggregate emoluments	5,022	4,590
Company pension contributions to defined contribution schemes	345	335

Retirement benefits are accruing to 9 (2002: 9) directors under a defined contribution scheme.

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
<i>Highest paid director</i>		
Aggregate emoluments	1,223	1,100
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 2,340 (2002 : 2,323).
- b) The aggregate amounts payable for the year for all employees including directors was:

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Salaries and bonus	130,120	136,230
Social security costs	15,574	14,703
Pension contributions (see note 1 (k))	9,807	8,799
	<u>155,501</u>	<u>159,732</u>

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

5 Interest payable and similar charges

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Interest payable on overdrafts and bank loans	202	191
Interest payable on other loans	710	1,600
	<u>912</u>	<u>1,791</u>

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS – Continued

6 Profit on ordinary activities before taxation

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
The profit on ordinary activities before taxation is stated after charging/(crediting):		
Loss / (profit) on disposal of tangible fixed assets	4	(21)
Depreciation - owned assets	18,081	24,031
- finance leased assets	-	1,184
Operating lease rentals - property	9,931	10,552
- plant and machinery	138	95
Auditors' remuneration for :		
- audit services (Company £23,718 ; 2002 £18,000)	527	362
- other services (Company £43,856 ; 2002 £79,000)	399	718

7 Taxation

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

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Current taxation		
UK corporation tax on profits for the period		
Current year	9,283	11,326
Prior year	3,660	(6,226)
Foreign taxation	272	529
Total current taxation	<u>13,215</u>	<u>5,629</u>
Deferred taxation		
Origination and reversal of timing differences	1,646	491
Total deferred taxation	<u>1,646</u>	<u>491</u>
Taxation on profit on ordinary activities	<u><u>14,861</u></u>	<u><u>6,120</u></u>

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

7 Taxation (continued)

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

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Profit on ordinary activities before tax	37,470	31,732
UK corporation tax on profits at 30% (2002 : 30%)	11,241	9,520
Effects of :		
Expenses not deductible for tax purposes	601	592
Capital allowances for period in excess of depreciation	438	2,123
Movement in long term accruals	(3,400)	(472)
Higher tax rates on overseas earnings	211	92
Adjustments to tax charge in prior periods	3,660	(6,226)
Other	464	-
Taxation on profit on ordinary activities	13,215	5,629

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
At 1 July	4,726	5,217	4,319	5,062
Deferred tax (charge) / credit in the profit and loss account for the period	(1,646)	(491)	(901)	(743)
At 30 June	3,080	4,726	3,418	4,319

- d) The deferred tax asset consists of:

	<u>The Group</u>		<u>The Company</u>	
	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Accelerated capital allowances	(10)	575	395	240
Short-term timing differences	3,090	4,151	3,023	4,079
	3,080	4,726	3,418	4,319

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

8 Intangible fixed assets

	<u>Goodwill</u> <u>£'000</u>
Cost	
At 1 July 2002	21,018
Additions	-
At 30 June 2003	<u>21,018</u>
Amortisation	
At 1 July 2002	13,663
Charge for the year	<u>1,051</u>
At 30 June 2003	<u>14,714</u>
Net book value	
At 30 June 2003	<u>6,304</u>
Net book value	
At 30 June 2002	<u>7,355</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> £'000	<u>Short leasehold improve- ments</u> £'000	<u>Office equipment</u> £'000	<u>Computer equipment</u> £'000	<u>Fixtures and fittings</u> £'000	<u>Motor Vehicles</u> £'000	<u>Total</u> £'000
Cost							
At 1 July 2002	24,639	35,591	21,334	98,859	21,990	278	202,691
Exchange differences	290	1,102	91	25	50	(1)	1,557
Transfers	6,932	4,198	(9,752)	7,144	(8,779)	257	-
Additions	19,470	2,549	2,112	13,066	184	23	37,404
Disposals	-	(237)	(52)	(81)	(3)	-	(373)
At 30 June 2003	51,331	43,203	13,733	119,013	13,442	557	241,279
Depreciation							
At 1 July 2002	4,184	6,843	16,656	78,599	14,615	192	121,089
Exchange differences	-	59	78	25	41	(2)	201
Transfers	(1,778)	1,778	(6,256)	6,256	-	-	-
Charge for the year	69	5,889	(433)	16,288	(3,650)	(82)	18,081
Disposals	-	(54)	(15)	(42)	(1)	-	(112)
At 30 June 2003	2,475	14,515	10,030	101,126	11,005	108	139,259
Net book value at 30 June 2003	48,856	28,688	3,703	17,887	2,437	449	102,020
Net book value at 30 June 2002	20,455	28,748	4,678	20,260	7,375	86	81,602

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

10 Interests in group undertakings

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

	<u>£'000</u>
Cost or valuation	
At 1 July 2002	67,198
Additions	10,000
	<hr/>
At 30 June 2003	77,198
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On 18 October 2002, an additional investment of £10,000,000 was made in Fidelity Pensions Management.

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

<u>Name of company</u>	<u>Description of shares held</u>	Proportion of nominal value of issued shares held in the group %	<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

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

Group / Company	<u>Associated undertaking</u> <u>£'000</u>	<u>Other investment</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Cost or valuation at 1 July 2002	1,423	81	1,504
Additions ⁽¹⁾	830		830
Share of retained loss for the year	(1,223)	-	(1,223)
Cost or valuation at 30 June 2003	1,030	81	1,111

(1) On 9 May 2003 the company increased its holding in EMX Company Limited, an electronic dealing and settlement system service provider for investment funds, by subscribing for 83,078,700 preferred shares. These shares are convertible into ordinary shares in a ratio of 4:1. This increased the company's holding to 29.8% (2002 : 27.65%). 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>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Deferred tax asset (note 7)	3,080	4,726	3,418	4,319
Subordinated loans to group undertakings ⁽¹⁾	-	-	7,500	-
Loan to the Fidelity UK Foundation ⁽²⁾	195	317	195	317
	3,275	5,043	11,113	4,636

(1) The subordinated loans to group undertakings are repayable upon the expiry of one month's written notice expiring after 30 June 2007.

(2) 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>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Accounts receivable – customers and funds	183,550	124,264	-	-
Amounts owed by parent undertakings	21,085	24,082	7,809	12,434
Amounts owed by group undertakings	-	-	53,198	70,415
VAT Recoverable	-	3,677	1,135	995
Other debtors	13,911	3,494	1,135	1,432
Prepayments and accrued income	4,830	4,909	4,210	4,395
Subordinated loans to group undertakings ⁽¹⁾	-	-	-	7,500
Loan to the Fidelity UK Foundation ⁽²⁾	98	106	98	106
Corporation tax	1,141	4,098	6,022	11,094
	<u>224,615</u>	<u>164,630</u>	<u>73,607</u>	<u>108,371</u>

⁽¹⁾ The subordinated loans to group undertakings were repayable upon the expiry of one month's written notice.

⁽²⁾ Repayable over eight years to the year ended 30 June 2006.

14 Current Asset Investments

	<u>The Group</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Mutual and collective fund investments	78,992	60,577	67,009	25,000
	<u>78,992</u>	<u>60,577</u>	<u>67,009</u>	<u>25,000</u>

15 Cash at bank and in hand

	<u>The Group</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cash at bank and in hand	22,746	23,819	4,302	1,588

Certain of the company's and the group's bank balances are subject to a legal set off agreement as explained in note 27(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>2003</u>	<u>2002¹</u>	<u>2003</u>	<u>2002</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Bank overdrafts	1,809	261	102,706	61,746
Accounts payable -				
customers and funds	163,786	97,339	-	-
Amounts owed to parent undertakings ⁽¹⁾	2,290	42,955	-	25,032
Amounts owed to group undertakings	-	-	24	653
Finance leases (note 26)	-	284	-	-
Corporation tax	1,168	-	-	-
PAYE & social security	3,065	2,917	2,681	2,532
VAT	1,582	-	-	-
Other creditors	12,830	10,869	1,932	67
Accruals and deferred income	92,336	91,621	76,017	76,718
	<u>278,866</u>	<u>246,246</u>	<u>183,360</u>	<u>166,748</u>

⁽¹⁾ Amounts due to parent undertakings included a promissory note payable to Fidelity International Limited by Fidelity Villa Mumm Limited. Interest is payable at EURIBOR +1% and the note was repayable on 2 December 2002. This was extended during the current year to 2 December 2006 and is now disclosed in note 17.

17 Creditors: amounts falling due after more than one year

	<u>The Group</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Amounts owed to parent undertakings ⁽¹⁾	34,116	-	-	-
Accruals and deferred income	2,990	3,652	2,813	3,475
	<u>37,106</u>	<u>3,652</u>	<u>2,813</u>	<u>3,475</u>

⁽¹⁾ Amounts due to parent undertakings include a promissory note payable to Fidelity International Limited by Fidelity Villa Mumm Limited. Interest is payable at EURIBOR +1% and the note is repayable on 2 December 2006.

18 Provisions for liabilities and charges

The provisions can be categorised as follows:

	<u>Pension Provision</u> <u>£'000</u>	<u>Restructuring provision</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
At 1 July 2002	-	-	-
Additional provisions	3,328	2,129	5,457
At 30 June 2003	3,328	2,129	5,457

Analysis of total provisions

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Non-current	3,328	-
Current	2,129	-
	<u>5,457</u>	<u>-</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 redundancy payments, as well as the 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 £22,654,000 (2002 : £25,466,000), a profit of £4,636,000 (2002 : £97,000) 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>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Operating profit	35,606	30,630
Amortisation of goodwill	1,051	1,051
Depreciation charges	18,081	25,215
Loss / (profit) on sale of tangible fixed assets	4	(21)
Decrease / (increase) in stocks	2	(262)
Decrease in debtors	(62,781)	45,782
(Decrease) / increase in creditors	47,435	(22,270)
Increase in provisions	5,457	-
Exchange loss on promissory note	1,953	-
Exchange gain on fixed assets	(1,356)	(118)
Exchange loss on interest capitalised	48	17
Exchange gain on movement in liquid resources	(2,188)	(253)
Other exchange losses	391	595
Net cash inflow from operating activities	<u>43,703</u>	<u>80,366</u>

21 Reconciliation of net cash flow to movement in net debt

	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Increase / (decrease) in cash in the period	(2,621)	37,408
Cash used to increase liquid resources	16,227	1,996
Exchange gains / (losses)	2,188	253
Movement in net funds in the period	<u>15,794</u>	<u>39,657</u>
Net funds at 1 July	<u>84,135</u>	<u>44,478</u>
Net funds at 30 June	<u>99,929</u>	<u>84,135</u>

22 Analysis of changes in net funds

	<u>At 1 July</u> <u>2002</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>2003</u> <u>£'000</u>
Cash at bank and in hand, and bank overdrafts	23,558	(2,621)	-	20,937
Current asset investments	60,577	16,227	2,188	78,992
Total	<u>84,135</u>	<u>13,606</u>	<u>2,188</u>	<u>99,929</u>

FIDELITY INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - Continued

23 Called up share capital

	<u>Authorised, issued & fully paid 2003 £'000</u>	<u>Authorised, issued & fully paid 2002 £'000</u>
30,000,000 ordinary £1 shares	<u>30,000</u>	<u>30,000</u>

24 Other Reserves

	<u>Group Profit & Loss £'000</u>	<u>Company Profit & Loss £'000</u>	<u>Group Capital Contribution £'000</u>	<u>Company Capital Contribution £'000</u>
At 30 June 2002	63,442	6,571	1,503	1,503
Retained profit for the year	22,654	4,636	-	-
Exchange loss	391	-	-	-
At 30 June 2003	<u>86,487</u>	<u>11,207</u>	<u>1,503</u>	<u>1,503</u>

25 Reconciliation of movements in shareholders' funds

	<u>2003 £'000</u>	<u>2002 £'000</u>
Opening shareholders' funds	94,945	68,921
Profit for the financial year	22,654	25,466
Exchange loss	391	558
Closing shareholders' funds	<u>117,990</u>	<u>94,945</u>

26 Capital and other commitments

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

	<u>The Group 2003 £'000</u>	<u>2002 £'000</u>
Contracted but not provided for	<u>21,711</u>	<u>5,062</u>

There were no commitments as at 30 June 2003 in relation to the Company (2002 : £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 & buildings</u> <u>2003</u> <u>£'000</u>	<u>Land & buildings</u> <u>2002</u> <u>£'000</u>
Within one year	562	-
Between two and five years	972	355
After five years	9,260	8,799
	<u>10,794</u>	<u>9,154</u>

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

	<u>Computers</u> <u>2003</u> <u>£'000</u>	<u>Computers</u> <u>2002</u> <u>£'000</u>
Within one year	-	284

The total value of assets held under finance leases is £NIL (2002 : £3,552,191). Depreciation of £NIL (2002 : £1,184,064) was charged on these assets during the period.

28 Contingent liabilities

- The company is a member of a group registration for Value Added Tax and is, with certain other Fidelity group companies, jointly and severally liable for the tax payable under this group registration.
- The company, along with certain other Fidelity group companies, has entered into an arrangement whereby the balance on its bank account is subject to a legal set off agreement, and the Company is jointly and severally liable for any liabilities which may arise under this agreement. As at 30 June 2003 the net bank overdraft on group accounts held within the arrangement was £1,809,213 (2002 net bank balance : £14,793,871). 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 £29,700,000 (2002 : £37,753,000) in revenue and £17,204,000 (2002: £25,740,000) in expenses;
- b) the provision of corporate management services for which the Group recorded expenses of £2,661,000 (2002: £2,735,000);
- c) the distribution of Fidelity products, for which the Group recorded revenue of £28,268,000 (2002: £44,210,000);
- d) the provision of software development for which the Group recorded revenue of £24,573,000 (2002: £28,362,000);
- e) the provision of marketing services for which the Group recorded revenue of £7,434,000 (2002: £8,265,000);
- f) the provision of systems usage for which the Group recorded expenses of £13,031,000 (2002: £15,825,000);
- g) the provision of administration services for which the Group recorded income of £43,529,000 (2002: £33,896,000);
- h) the provision of product development services for which the Group recorded income of £915,000 (2002: £789,000);
- i) the provision of system support services for which the Group recorded income of £15,056,000 (2002: £11,485,000);
- j) the provision of finance for which the Group recorded interest expenses of £710,000 (2002 : £1,600,000) and capitalised interest of £988,000 (2002 : £332,000).

The net balance owing to the FIL Group at 30 June 2003 in relation to the above transactions was £18,823,000 (2002: £8,526,000).

The Group received management fees of £704,831 (2002: £697,935) from the Group Pension Scheme. There was no balance outstanding at either 30 June 2003 or 30 June 2002.

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, investment advice, investment research, and property services. During 2003 the Group received a net £8,388,000 (2002: £22,037,000) for such services. At 30 June 2003 the net balance due in relation to these transactions was £NIL (2002: £NIL)

During 1998 the Group made a loan of £773,000 to the Fidelity UK Foundation (a registered charity). £293,000 (2002 : £423,000) 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 29.8% interest and shares a common director, Simon Haslam. These include utilising its electronic messaging service. During 2003 the Group paid £44,807 (2002 : £77,307) for these services. At 30 June 2003 the balance owing in relation to these transactions was £NIL (2002 : £17,625).

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 2003 amounted to £71,112,000 (2002 : £60,572,000).